

Barings Emerging Markets Corporate Bond Fund

SUMMARY

Cette section présente des informations relatives au Fonds, qui est un produit financier de l'article 8. Le Fonds promeut des caractéristiques environnementales ou sociales telles qu'exposées plus en détail ci-dessous. Le Fonds y parviendra en investissant au moins 50 % de sa valeur liquidative dans des émetteurs qui présentent l'une de ces caractéristiques.

NO SUSTAINABLE INVESTMENT OBJECTIVE

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Fund promotes positive or improving resource intensity, environmental footprint, employee satisfaction and societal impacts of products/services. The Fund will achieve this by investing at least 50% of its Net Asset Value in issuers which exhibit any of these characteristics. The E and S current state score of an asset, (methodology discussed further below), are established by the Investment Manager using a proprietary scoring framework. The Investment Manager's consideration of factors when deriving a score is based on financial materiality and will encompass any number of E or S characteristics. Further information regarding the methodology is outlined below.

The Investment Manager undertakes initial and ongoing due diligence of the corporate governance structure of issuers. This analysis is presented to investment committees and incorporated into the governance component of Barings' ESG scores. The Investment Manager assesses whether the governance structure is commensurate with the ownership structure of the issuer and analyses key governance risk factors on a case-by-case basis. Governance risks assessed can include issuer ownership, the board and management structures, legal and tax compliance, quality of reporting and audits, employee retention and relations, and staff remuneration. If an issuer is rated 5 (unfavourable) under Barings' ESG current state score for governance, it will be formally excluded for investment. The Investment Manager tracks and monitors governance controversies and can take engagement action when they occur. An issuer with a low (but acceptable) governance score would also be tracked for commitments towards improvement over time as part of the internal ESG scoring process. Where the Investment Manager determines that a holding in the Fund's portfolio does not meet its good governance thresholds, the Investment Manager will engage with the relevant issuer in order to seek to bring it into compliance. If engagement with the relevant issuer is not deemed appropriate or engagement subsequently proves unsuccessful, the Investment Manager will consider its position and shall, if necessary and to the extent possible based upon market conditions and any specific investment considerations, attempt to divest the holding from the Fund.

INVESTMENT STRATEGY

The investment objective of the Fund is to seek maximum total return, consistent with preservation of capital and prudent investment management, through high current income generation and, where appropriate, capital appreciation.

The “total return” sought by the Fund consists of income and capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals for a particular industry sector or security.

To achieve its investment objective, the Fund will invest under normal circumstances at least 80% of its Net Asset Value in an actively managed diversified portfolio consisting of fixed income instruments that are economically tied to emerging market countries including fixed income instruments that are issued by corporate issuers that are economically tied to emerging market countries. The fixed income instruments in which the Fund invests will primarily be listed or traded on recognised markets and may include bonds, notes, US and G10 country treasury obligations, sovereign issues, corporate issues, covered bonds, commercial paper and other fixed and floating rate income securities and are either secured or unsecured, and, either senior or subordinated. Secured debt means that collateral has been pledged as security against default, whilst investors in senior debt instruments are legally entitled to be repaid ahead of investors in subordinated (i.e. non-senior) instruments issued by the same corporation. Exposure to such issuers may be achieved through direct investment or entirely through the use of FDI. The Fund may also invest in mortgage-backed securities, asset-backed securities and unleveraged loan participation securities (including but not limited to trade finance loan participations). The Fund may engage in transactions in FDI principally for investment and/or for hedging purposes subject to the limits laid down by the Central Bank. Such derivatives will provide exposure to the asset classes detailed in the Fund’s investment policy. Such transactions may leverage the Fund and may establish speculative positions. This may result in a higher level of volatility and risk. The Fund’s investments may be denominated in USD and non USD currencies.

A security is economically tied to an emerging market country if the issuer or guarantor of the security has its headquarters or operating companies domiciled in the emerging market country or if the currency of settlement of the security is a currency of the emerging market country.

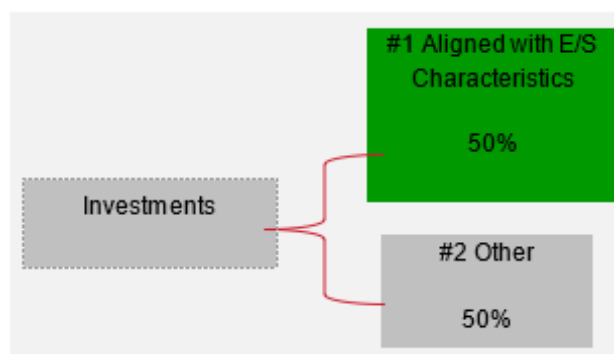
The Investment Manager has broad discretion to identify countries that it considers to qualify as emerging markets. The Fund emphasises countries with relatively low gross national product per capita and with the potential for rapid economic growth. The Investment Manager will select the Fund’s country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments, and any other specific factors the Investment Manager believes to be relevant. The Fund will likely concentrate its investments in Asia, Africa, the Middle East, Latin America and the developing countries of Europe. The Fund may invest in instruments whose return is based on the return of an emerging market security or a currency of an emerging market country, such as a derivative instrument, rather than investing directly in emerging market securities or currencies. The Investment Manager will select individual investments based on an analysis of the value of the relevant investments as compared to other similar investments within the identified countries and industry sectors.

The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental (“E”) and /or social (“S”) characteristics. The environmental characteristics promoted by the Fund are resource intensity and environmental footprint; the social characteristics are employee satisfaction and societal impact of an issuer’s products or services.

Issuers that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary ESG scoring methodology, which is supported with the use of third party issuer-specific ESG data, where coverage allows. When assessing an investment, the Investment Manager will utilise its access to management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager analyses an issuer's ESG profile over time and consider relevant shocks that may impact the scoring. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG scores are compiled based on an analyst's assessment and presented in investment underwriting memos. Issuers are assigned both an ESG current state score and an ESG outlook score for environmental, social, and governance categories. The ESG current state score assesses the current sustainability profile of the issuer relative to the investment universe. ESG outlook scores analyse the momentum of the issuer on ESG topics in comparison to expected ESG development in the market. Investee issuers will be considered as being "positive" if they have a better ESG current state score. Investee issuers will be considered as being "improving" if they have a moderate ESG current state score and an improving outlook score. The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas.

PROPORTION OF INVESTMENTS

The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental ("E") and/or social ("S") characteristics. The "Other" category will comprise assets (including cash, cash equivalents, hedging instruments and other assets) which do not have an ESG current state score, which are not aligned with the Fund's E and/or S characteristics and/or have no minimum environmental or social safeguards.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

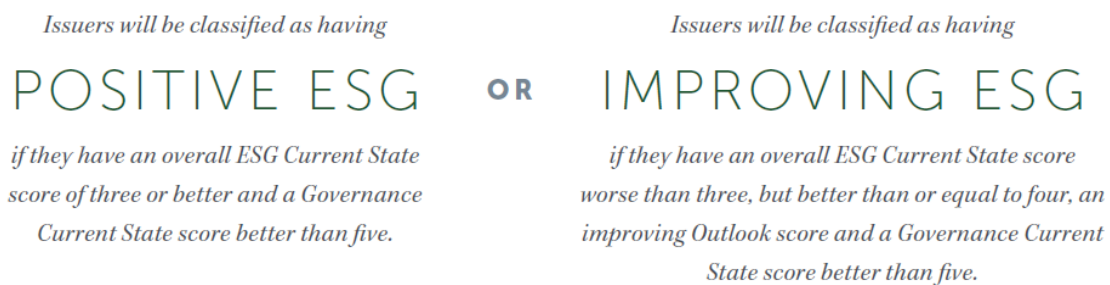
#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

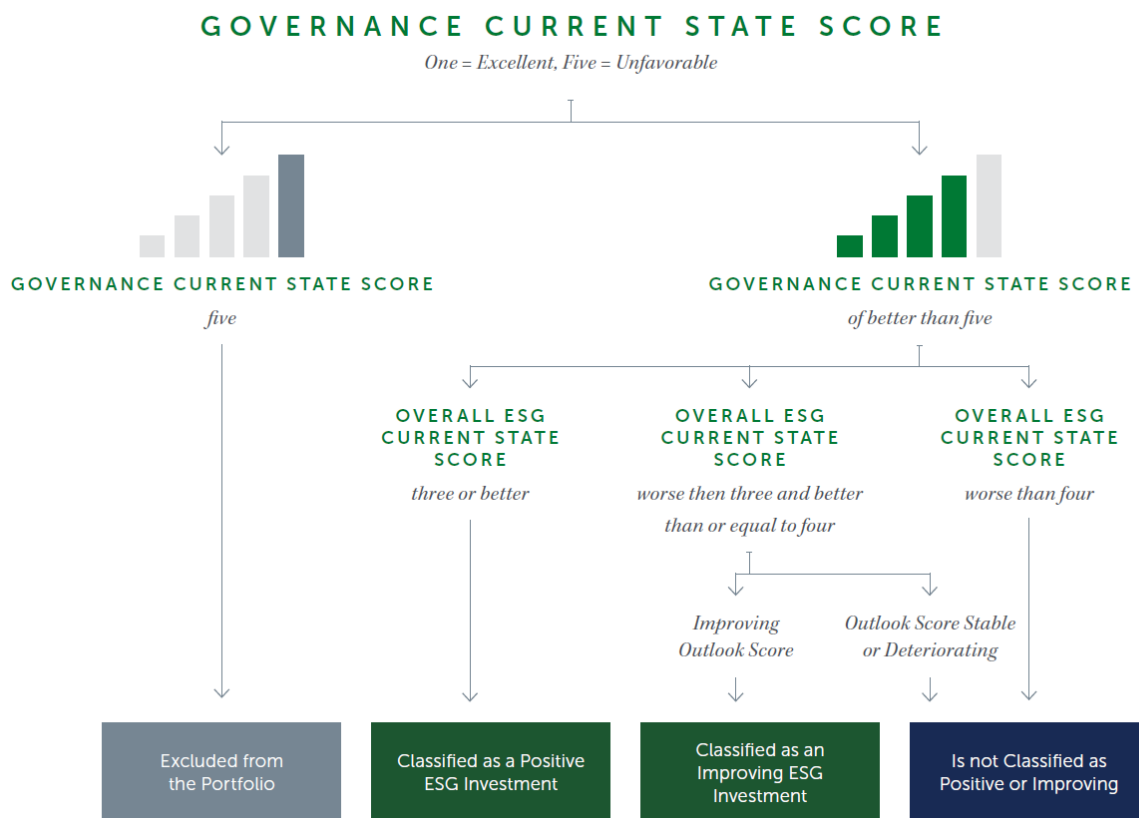
The Fund is monitored each business day to ensure it continues to meet the minimum 50% threshold. Where the Fund falls below this threshold, due to market movements or because the fixed income instruments it holds no longer meet the criteria of a “Positive ESG” investment, this will be corrected at the earliest opportunity.

METHODOLOGIES

To ensure the above, issuers that the Fund invests in are classified as either:



Investments with an average combined ESG score of worse than four and/or Governance/Management quality score worse than four will not be deemed to have “positive ESG” or “demonstrating improving ESG characteristics”.



The criteria the Investment Manager uses to determine if the issuer of the assets exhibits positive or improving ESG characteristics are described below and is based on the Investment Manager's proprietary ESG scoring methodology.

When assessing an investment, the Investment Manager will utilise its direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager analyses issuer's ESG credentials over time and consider relevant shocks that may impact the scoring. Scoring indicators include environmental (may encompass resource intensity, environmental footprint,) social (societal impacts of products and services, and employee satisfaction,) and governance (may encompass ownership structure, effectiveness of management boards, credibility of auditing arrangements and accountability of management,) to assess screen issuers where ESG standards are positive or improving.

ESG scores are compiled based on an analyst assessment and reviewed by investment committees within the Investment Manager when applicable. ESG ratings are reassessed as material ESG developments occur and updated in line with the issuers reporting cycles. A review process ensures ratings are accurately maintained.

The 1–5 ESG current state scores are aggregated based on sector weightings to give an overall 1-5 ESG current state score. Issuers will be considered as being "positive" if they have an overall ESG current state score of three or better on the scoring scale. Issuers will be considered as being "improving" if they have an overall ESG Current State Score that is worse than three, but better than or equal to four and an improving Outlook Score.

The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas. This includes areas such as the provision of emissions data and reduction targets. Escalation on unsuccessful engagements can take the form of adjustments to ESG scores, removal of the issuer from the approved buy list by investment committees and divestment. At present, divestment is more likely to occur when the engagement topic is related to a fundamental credit risk as opposed to improved ESG data disclosure that continues to lag some asset classes.

DATA SOURCES AND PROCESSING

The Investment Manager's investment decisions are based on internal research, which encompass both its proprietary fundamental underwriting and ESG assessment. Furthermore, the investment professionals responsible for evaluating and valuing fixed income instruments are also responsible for its ESG assessment and forms an integral part of the Investment Manager's analysis. External sources of research/data typically from the issuer are utilized to understand market consensus and gather data but often research availability can be limited. To supplement its ESG research, the Investment Manager's team also has access to third-party resources, which provide institutional investors with issuer-specific ESG data.

The Investment Manager reviews ESG ratings. The Investment Manager will re-affirm ESG ratings based on its proprietary, fundamental underwriting and ESG assessments. Any usual engagements may also contribute to an update to scores and are reviewed to ensure proper alignment with ESG ratings.

The Investment Manager processes/captures each issuer's underwriting conclusion into a database together with the proprietary ESG scores based on its internal methodology. Whilst there may be instances where the data which the Investment Manager receives from third party providers is estimated, when assessing an

investment, the Investment Manager will utilise its direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers. This information and interaction allows thorough due diligence to be undertaken on the ESG risk profile of an issuer, rather than exclusively relying on quantitative data.

LIMITATIONS TO METHODOLOGIES AND DATA

The ESG approach is integrated into the investment process. Scoring methodology is based on internal proprietary methodology around several factors relevant for corporate issuers; the ensuing scores are derived from issuer data, issuer engagements and third party data which may or may not be complete. Data source limitations may exist if Barings is investing in companies where third party vendors do not provide data or issuer data is not frequent or up to date.

The Investment Manager's investment decisions are based on internal research, which encompass both our proprietary financial forecasts and ESG assessment. The Investment Manager aims to meet with all issuers in which it seeks to invest at least annually and discuss a range of topics including ESG issues with management. The investment professionals responsible for evaluating issuers are also responsible for its ESG assessment: this is an integral part of the Investment Manager's analysis.

DUE DILIGENCE

Issuers are selected for the ESG profile according to the Investment Manager's proprietary ESG scoring methodology. When assessing an investment, the Investment Manager will utilise their direct access to management, banking group and financial sponsors in addition to information published by issuers. The team also seeks to understand market consensus on ESG profile of each issuer, through its access to third party ESG research providers. This information and interaction allow thorough due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager examines the scores of the indicators to determine an issuer's ESG credentials and also considers a momentum indicator scoring which captures relevant shocks that may impact the scoring in the future. Scoring indicators include environmental (resource intensity, environmental footprint,) social (societal impacts of products and services, employee satisfaction) and governance (effectiveness of management boards, credibility of auditing arrangements and accountability of management) assessments to screen companies where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG ratings are compiled based on an analyst assessment.

ENGAGEMENT POLICIES

The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve issuer disclosure or behaviour. Engagement activity is focused on key environmental and social risk areas for issuers and provision of relevant information. This includes areas such as the provision of emissions data, use of science-based targets and adherence to targets. Escalation on unsuccessful engagements can take the form of adjustments to environmental or social ratings, removal of the issuer from the approved buy list by investment committees and divestment. The Investment Manager does track accountability of issuer engagement and records these engagements in a proprietary system.

DESIGNATED REFERENCE BENCHMARK

The Fund does not use a reference benchmark to measure the attainment of its environmental and social characteristics.