

**BARINGS**

# Value Assessment

**31 August 2021**

# Contents

A Message from the Chairman .....	3
Introducing the members of the Board .....	4
Introduction .....	6
How Have We Measured Value? .....	8
Assessment Summary.....	16
Barings Eastern Trust.....	17
Barings Europe Select Trust.....	20
Barings European Growth Trust.....	23
Barings German Growth Trust.....	26
Barings Global Agriculture Fund.....	29
Barings Japan Growth Trust.....	32
Barings Korea Trust.....	35
Barings Strategic Bond Fund.....	38
Glossary.....	41

# A Message from the Chairman



Welcome to Barings' latest Assessment of Value Report.

This report outlines the key findings of a comprehensive review of our U.K. domiciled 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 ESG, portfolio turnover and transaction costs.

As Chairman of the Board responsible for overseeing the Barings U.K. fund range, a key role of mine is to ensure investors are fully informed, giving them the ability to confidently invest with us.

During the uncertain times experienced by many of our customers over the past 18 months, it is especially important that we are delivering value to our investors. Our role is to ensure the Barings funds not only meet their investment objectives but also provide our customers with a high level of service and good value for money.

We are pleased to present Barings' second annual Assessment of Value ("AoV") report. The data for this report was collected at the end of 31 August 2021.

Following the release of our 2020 AoV Report, we have continued to assess funds where opportunities for improvements were identified, including monitoring against the actions identified in the 2020 report. We have monitored the progress of all funds within the Barings U.K. fund range throughout the year. Our assessment and actions taken for each fund in 2021 are detailed within this AoV report. High-level conclusions from our assessment include:

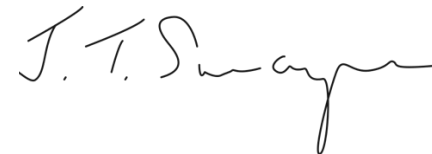
- All funds are providing value in the areas of quality of service, economies of scale, costs of the authorised fund manager, classes of units and comparable services.
- Most funds have provided value in respect of their performance and comparable market rates.

The report also highlights actions we have taken throughout the year to improve value for investors, including areas where we believe further enhancements can be made and the specific actions we are taking to achieve these.

These actions include continuing to negotiate costs with our service providers, assessing the suitability of Unit Classes for unitholders across the range and implementing expense caps.

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 to ensure that they are being managed in line with their Investment Objectives, Policies and Strategy.

We continue to look for opportunities where we can improve, aiming to consistently meet the long-term financial goals of our investors.



*Julian Swayne*  
Chairman of Baring Fund Managers Limited

# Introducing the members of the Board

The Baring Fund Managers Limited Board (the Board), which includes two independent non-executive 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 Board plays a crucial role overseeing the value assessment process, providing challenges and direction to ensure value is being delivered or, where it is not, that appropriate action is taken.

The independent non-executive directors have relevant expertise and experience to make impartial and independent judgements on whether funds are managed in the best interests of investors. They provide input and independently challenge the process and methodology to ensure our assessment is performed appropriately.

## EXECUTIVE DIRECTORS

### **Julian Swayne**

Julian is the regional Chief Executive of Barings in Europe. He is responsible for the day-to-day general management of Barings' main U.K. operating entities. He has more than 35 years of industry experience. Julian joined Baring Brothers & Co. in 1985 as the group accountant until the investment bank was later formed as Baring Asset Management, a division of Barings, in 1989. He became finance director in 1997. Julian was previously with City based auditors Neville Russell. He has a degree in Economics from Leicester University and qualified as a chartered accountant in 1985.

### **Richard Kent**

Richard Kent is Chief Risk Officer for Europe and Global Head of Organizational Risk, and serves as a main Board Director. Richard has overall responsibility for overseeing the corporate governance and risk management framework that covers Barings' business operations and funds. He has worked in the industry since 1992. Prior to his current role, Richard held the Head of Compliance and Organizational Risk role at Barings (U.K.). Before joining the firm in 2016, he was Head of Compliance for the hedge fund group Brevan Howard in London. Richard holds a degree in Management Science from the University of Kent and is a qualified Chartered Accountant.

### **Emma Browning**

Emma is the Head of Compliance Europe for Barings with primary responsibility for the EMEA region and has over 20 years of regulatory experience. Emma joined Barings in July 2015 and is also the Money Laundering Reporting Officer for all of the U.K. Barings entities, reporting directly to the Global Head of Compliance. Prior to joining Barings, Emma spent 15 years at Ignis Asset Management in various compliance roles and latterly as Head of Compliance. Emma has an M.A Hons. from St Andrews University and holds the Investment Management Certificate.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Jane Armstrong**

Jane is an independent executive director for Baring Fund Managers Limited. She has over 35 years' experience working in financial services, beginning her career in asset management organisations with Fidelity Investments. Subsequent roles include Head of Corporate Marketing at Old Mutual Asset Management, Marketing Director at Citigroup Asset Management and, latterly, Head of Business Development for Investment at Willis Towers Watson. Jane retired from full time employment in 2019, at which time she became a charity trustee, embarking on a Citizens Advice and a domestic abuse charity trustee role. Jane is an experienced pension fund trustee. She is also a governor at Ardingly College in Sussex and a freelance coach and business development trainer. Jane has a degree in English Literature from Leicester University.

### **Kevin Troup**

Kevin Troup is an independent executive director for Baring Fund Managers Limited and was appointed to the Board in May 2019. Kevin qualified as a Chartered Accountant in 1993 with Coopers & Lybrand and is also an Associate of the CFA having qualified via the IIMR. He started his investment career with Scottish Life in 1995, later becoming Head of Japan. In 2000, he joined Martin Currie Investment Management, managing Japanese Smaller Companies. In 2004 he launched two Japanese funds, a mid-cap fund and was co-manager at launch for the Daijuro Absolute Return Fund responsible for picking small cap positions. Kevin joined the Global team at Standard Life Investments in 2010, launching a new Global Equity Income product and with responsibility for Japanese investments within a Global franchise. He retired in 2018 and is now an independent non executive director at TPI Fund Managers Limited and on the Board of Baillie Gifford Shin Nippon plc. He is also on the Investment Committee at The National Trust for Scotland.

# Introduction

## WHAT IS THE U.K. VALUE ASSESSMENT?

Introduced by the Financial Conduct Authority (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.

For each fund, the Board must conduct an assessment of whether all payments, as detailed in the fund prospectus, are justified in respect of the seven areas of assessment noted in 'Which Areas are Assessed'.

## THE BARINGS U.K. FUND RANGE

As an active investment manager, it is the aim of Barings to deliver overall value for investors in our funds over the long term, keeping costs fair and reasonable and providing high levels of client service to our investors. Overall value is delivered and measured with regard to the particular fund's Investment Objective, Policy and Strategy. The Barings U.K. fund range provides investors with investment opportunities covering a broad range of geographies and strategies, with an overall focus on equity exposures.

## 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 needs of our investors and we believe it is important to help investors understand whether they are receiving value for money when investing with us.

At the back of this document we have included a glossary to define some of the technical terms to assist investors whilst they read this report.

## WHICH AREAS ARE ASSESSED?

The FCA requires the Board to consider seven key areas, which have been summarised below.

- 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 appointed to a third party.
- 2. Performance:** The performance of the fund, after deduction of all payments (costs, fees and charges) out of the fund's assets.
- 3. Comparable market rates:** Comparing the fees that the funds charge to investors against our competitors' fees.
- 4. Costs of the Authorised Fund Manager (AFM):** Assessing the charges incurred by investors against the costs for each service provided by the AFM to operate the fund.
- 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 and providing justification for charging certain investors higher fees than they would receive in other Unit Classes.

We have also considered additional measures, which we know are important to our investors—such as whether we are investing in areas that are environmentally and socially sustainable, and the level of portfolio turnover and transaction costs.



## 1. ACTIONS TAKEN

In light of our Assessment of Value, we are committed to taking definitive action to ensure that we provide long-term value to our investors.

In the Barings 2020 Assessment of Value report, we highlighted an overall rating of amber for five funds and an overall rating of red for one fund using our traffic light rating analysis. We set out below the actions taken during the year to address the areas highlighted in last year's report.

### Completed Actions

**Closure of Multi-Asset fund range** - Following the Assessment of Value undertaken last year, the Barings Multi Asset Fund had been rated amber overall as the fund did not provide value when assessed in the areas of performance and comparable market rates. The Barings Targeted Return Fund was also rated amber as it did not achieve its absolute performance target over a five-year period. Following a strategic review by Barings to assess the funds' market positioning, client environment, sustainability, future growth prospects and Barings' own business strategy, it was decided to close the U.K. Multi-Asset fund range including the Barings Multi Asset Fund and Barings Targeted Return Fund during the year.

**Ongoing transfer of investors to a cheaper Unit Class** - Having already moved a large number of our investors to a cheaper Unit Class as detailed in last year's value assessment, we transferred a further 0.1% of our funds' aggregate net asset value to a cheaper Unit Class on 26 November 2021.

**Enhanced investor communications** - In June 2021, Barings Viewpoints and Barings Investment Institute were made available to our individual U.K. reader base in order to make available a wide range of useful articles, webinars and podcasts.

**Increased ESG focus.** We have continued to enhance and integrate environmental, social and governance (ESG) issues as part of the investment process to ensure we are aligned to sustainable investing and growing investor expectations.

### In progress

**Closure of Strategic Bond Fund** - Last year, we highlighted the Barings Strategic Bond Fund had been rated red overall. The fund did not provide value when assessed in the areas of performance and comparable market rates. We concluded it was best to undertake periodic reviews of the fund covering its investment strategy, costs and market position during the year to help us make the right decisions for the benefit of our investors. Following a strategic review of the fund by Barings, to assess the funds market positioning, client environment, sustainability and future growth prospects, the decision was made to close the fund, effective from 18 January 2022.

**Closure of the Japan Growth Fund** - Although last year the Barings Japan Growth Trust was assessed as providing investors with value, the fund's assets under management ("AUM") had fallen to a level at which it could no longer be managed efficiently. Following the redemption of the largest unitholder, costs payable out of the assets would become unreasonable for investors. Consequently, despite steady outperformance, the Board made the decision to close the fund in the best interests of investors, effective from 6 December 2021.

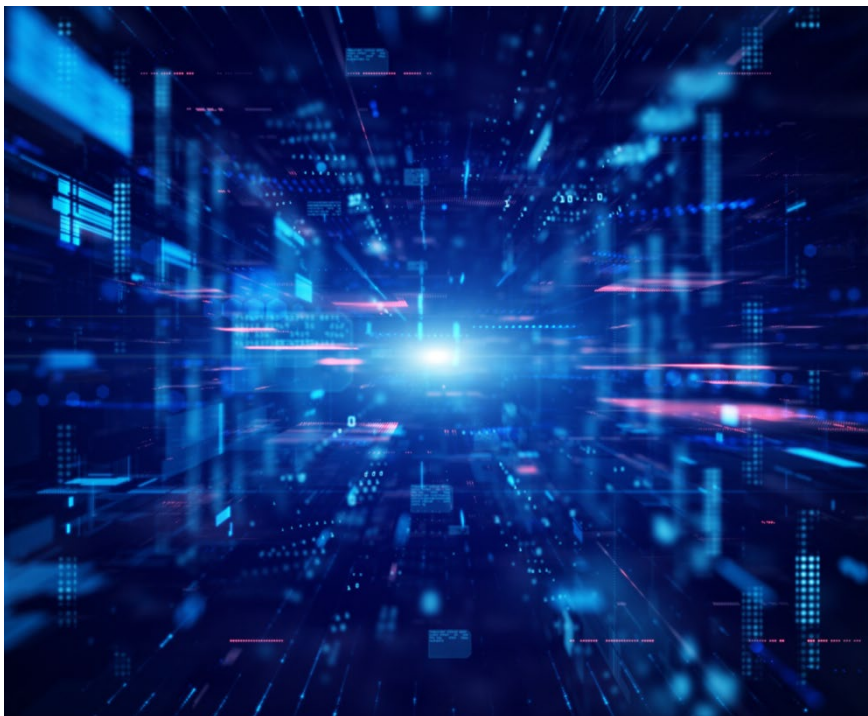
**Ongoing monitoring of the fund range** - The Barings Korea Trust, Barings European Growth Trust and Barings Global Agriculture Fund had been rated amber in last year's report. The Board continues to monitor the value provided to clients invested in these funds following improvements in certain areas of value, which are highlighted in this report. We will continue to monitor areas where there is still scope for improvement.

**Ongoing review of portfolio turnover** - We have reviewed portfolio turnover and transaction costs of the funds and although we have successfully reduced portfolio turnover on some funds, this remains an ongoing area of focus.

**Website redesign** - The redesign of Barings.com is expected to be completed in early 2022, in consultation with an external consultant, to create a more user friendly and accessible platform, making it easier for investors to find relevant fund materials and other useful information.




# 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. 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.



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

We have assessed all Unit Classes against each of the seven criteria set out by the FCA, as well as determining an overall rating for each Unit Class.

	<b>Green:</b>	Unit Class provides value
	<b>Amber:</b>	Unit Class provides value but not across all metrics, hence will be monitored and appropriate action will be taken
	<b>Red:</b>	Unit Class does not provide value and we have taken further action

Unless otherwise specified, all data used for this assessment and report is as of 31 August 2021. Fund and peer performance, annual management fee and ongoing charge data are sourced from Morningstar. Performance figures used are net of fees (considered after fees have been deducted) in GBP terms. Benchmark performance figures are sourced from respective index providers.



## 1. QUALITY OF SERVICE

### Have we provided the range and quality of service expected of us?

Our commitment to meeting the current and evolving needs of our clients is at the core of everything we do. Our clients come to us with a variety of investment needs and requirements, which we aim to meet through our range of funds, and with a focus on risk management to help protect our clients' capital over the long term. Our U.K. fund range offers both traditional strategies investing in specific regions or countries as well as more focused strategies such as investing in smaller companies with the experience and capabilities to manage these niche strategies.

The expectations of our clients change over time, and it is important that our service keeps pace by listening to the challenges they face. Therefore, when measuring quality of service, we do not limit our assessment to a definitive list or specific area. Instead, we continuously look to identify areas where we can improve.

### Investment capability

Barings have been managing the assets of our U.K. clients for more than 38 years and provide clients with access to a range of funds to suit individual needs and requirements. The Board has assessed, through various forms of analysis, the quality of the investment process, ensuring the funds have been managed with portfolio characteristics appropriate to the active investment strategy and style described to investors. As an active manager, we believe equity markets are inefficient and risky and we focus our analysis at the company level, where we look to purchase quality companies that offer long-term growth potential at a price below their estimated value. Periods of heightened volatility may cause our strategies to underperform. As long-term investors, however, we believe our robust and repeatable investment process can add value through stock selection over the longer term.

### Client experience

We continually look to simplify our processes to make it easier for our clients to invest with us. For example, in April 2021, we streamlined the paperwork required from our clients to enable efficient processing of client redemptions, which removes the risk of delays to clients receiving their monies.

### Client servicing and support

We have a dedicated team of client service managers at Barings as well as individuals at the fund administrator, Northern Trust, who are responsible for ensuring a high degree of client service is provided to our investors. We monitor our client service across a range of factors considered to be key drivers of positive client experience. These include the quality, accuracy and timeliness of our reporting, the effectiveness of our operations and feedback from clients on our client service levels. We have a complaints process, overseen by our compliance team, which ensures the fair treatment of investors should they be dissatisfied.

### Investor education

We engage with investors through our company website, [www.barings.com](http://www.barings.com). Our content and investor education provides access to current views and insights from our investment teams through Barings Viewpoints, and to our research experts through Barings Investment Institute, which we made available to individual U.K. readers in June 2021. We have provided investors with a wide range of articles, webinars and podcasts covering markets and topics ranging from equities, bonds, fintech, economic policies and forecasts, ESG and sustainability trends.

### Operation oversight

Our experienced teams ensure compliance with internal policies and conduct regular monitoring and oversight of external service providers who perform day-to-day fund operations. 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.

The level of service provided by our external providers is measured by standards known as Key Performance Indicators (KPIs) which are monitored and challenged on a monthly basis. During the period under review, we have concluded that our key vendors are delivering value to our investors.

## 1. QUALITY OF SERVICE (CONTINUED)

### Barings approach to corporate sustainability and ESG

At Barings, we believe in leading by example, which means we not only encourage positive ESG trends among the companies and countries in which we invest, but also promote transparency across the industry more broadly. Barings' corporate commitment to ESG principles is extensive, and includes Barings being a signatory to the United Nations Principles for Responsible Investment and the United Nations Global Compact. Barings also actively promotes sustainable practices including recycling, sourcing ethically produced food and office supplies, as well as reduced energy, water and paper consumption. Barings uses Change Please, a social enterprise staffed by the homeless to supply coffee to employees.

### The Road to Net Zero

As part of our approach to corporate sustainability, Barings has publicly announced its intention to become operationally net-zero from a greenhouse gas emissions perspective. Barings aims to achieve this by reducing our direct carbon emissions through renewable energy procurement, reductions in business travel and studying ways to combine flexible work arrangements in a post-COVID world with other initiatives.

More information, including our Sustainability Policy, can be found on the Barings website.



*"At Barings, we strive to act responsibly today in order to help deliver a sustainable tomorrow. Building a sustainable world for future generations requires constant evolution and long-term collaboration to drive lasting positive impacts for our people and our planet."*  
- Sarah Munday, Director of Sustainability

### Integration of ESG into the investment process

Our ESG assessment forms a core component of our research into the companies in which we invest, and contributes meaningfully to our interactions with company management. This methodology also meets our commitments to both the UN Global Compact and the Principles for Responsible Investment.

Within our process, we closely monitor the companies that we research. We look for improvements or deterioration in their practices and attitudes to ESG factors and reflect this in our view of the company's quality and its valuation. This assessment includes an examination of the sustainability of the company's business model, the strength of the management and any potential or hidden risks on the balance sheet. Furthermore, where we identify areas of potential improvement, we look to engage with company management teams to positively influence ESG practices and improve ESG disclosures. We believe that by engaging with companies in this way, rather than blanket exclusions of entire sectors, we have a greater chance of successfully effecting change and enhancing the performance of our investments. This not only benefits our clients, but the environment and society as a whole. In some instances, we may also collaborate with peers and industry groups to enhance and share best practice.

In addition, during the assessment period under review the Barings Eastern Trust, Barings European Growth Trust, Barings Europe Select Trust and Barings Japan Trust updated their investment policies to explicitly promote ESG factors or characteristics. This involves the funds investing at least 50% of their assets in companies that exhibit positive or improving ESG characteristics.

We exercise our voting rights whenever possible and have retained a dedicated third-party voting provider. Our policy is to vote on behalf of our clients as systematically as is practicable. The European section of the Barings website outlines our voting records and our proxy as well as our engagements.

### Conclusion

At a firm level, we have concluded that we provided value through quality of service and assessed all of the above areas as providing value. 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. Within the respective individual fund assessments, we have further assessed the quality of service provided to the Unit Classes of each fund.

## 2. PERFORMANCE




### Have our funds performed as well as expected?

We looked at how each fund performed after the deduction of fees by assessing the returns of each Unit Class over appropriate time periods, given the fund's objectives and strategy. We have initially used either three-year (for the Barings Strategic Bond Fund) or five-year (for the equity funds) performance returns for performance comparison purposes. This is in line with the time period over which investors most commonly evaluate performance for the respective funds, and are most relevant to our investment teams' investment philosophy and stock selection criteria. Markets can change rapidly over a shorter period of time due to unpredictable events, hence we review performance over a longer period of time in order to obtain a better measure of how we have performed.

We compared the performance of each fund's Unit Class against its respective performance comparator or performance target. We also performed a qualitative assessment, comparing performance against the appropriate Investment Association (IA) sector or Morningstar category. Each IA sector contains funds with broadly similar asset types, strategies and risk profiles. IA sectors are organised to reflect the asset type, industry or geographical focus of funds enabling like-for-like comparisons between funds. Where a fund is not included in an IA Sector or is included within the Specialist\* IA sector, we have compared returns against funds in the appropriate Morningstar category, which provides a better comparison.

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. We assess both relative returns and risk-adjusted returns of the funds compared with funds in each IA Sector or Morningstar category.

The traffic light ratings are determined as follows:

-  **Green:** The Unit Class provides value as it outperformed the benchmark over the assessment period.
-  **Amber:** The Unit Class provides some value following a qualitative and quantitative assessment of performance.
-  **Red:** The Unit Class does not provide value following a qualitative and quantitative assessment of performance.

For each Unit Class, we reviewed performance figures after the deduction of all fees and charges. We examine each fund's performance comparators as the primary measure to determine if a Unit Class delivers value. Where relevant, we also assessed whether the funds achieved their income objectives.

The Sharpe ratio is a measure of how well a fund compensates investors for the amount of risk taken. A higher Sharpe ratio indicates a fund has performed well given the level of risk it has taken while a lower Sharpe ratio suggests that the risk taken is exceeding the expected reward. Investors can use the Sharpe ratio to compare funds, taking into account the amount of risk exposure of each fund in relation to their returns. An investor could assess two funds with different returns and risk profiles by using the Sharpe ratio to help put risk and returns into meaningful context.

Hedged Unit Classes, which are available for certain funds, utilise the services of an outsourced hedging provider to mitigate the risk of changes in foreign exchange rates between the Unit Class hedged currency and base currency. In addition to the ongoing reviews of the hedging program performed within Barings, we have reviewed the effectiveness of this hedging policy and determined that it is operating effectively.

To ensure we achieve 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 performance comparator 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.

The funds are not currently managed to a benchmark, although we do specify benchmarks as performance comparators. In order to enhance transparency and enable investors to understand whether their funds are performing as expected we are proposing during the next review period (subject to unitholder approval) to amend the funds' investment objectives to include the benchmark as a formal performance target, subject to going through the required regulatory process. This will not change each fund's investment policy or strategy, or the way in which it is managed.

\* The Specialist IA Sector includes funds with a variety of investment approaches meaning this sector cannot be used as an appropriate peer group. The Barings German Growth Trust, Barings Korea Trust and Barings Global Agriculture Fund fall into the Specialist IA Sector.

### 3. COMPARABLE MARKET RATES

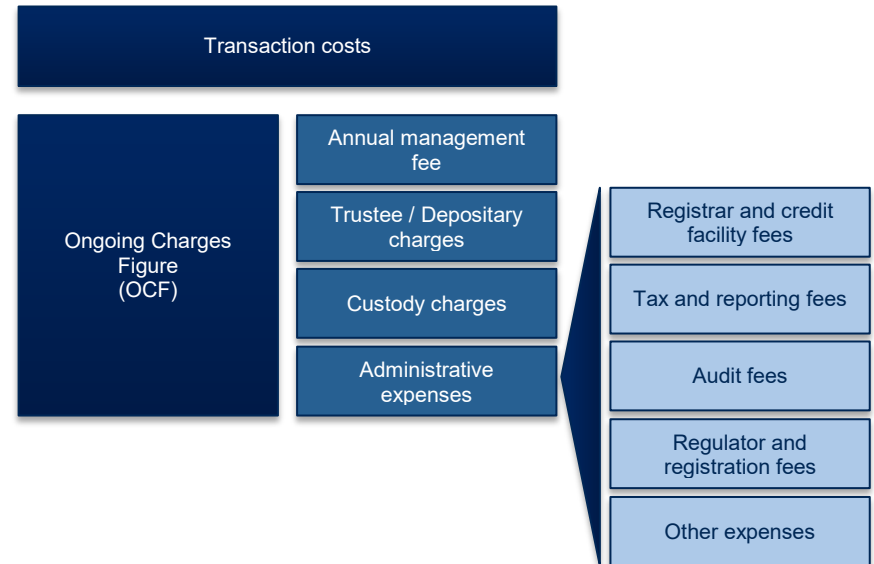
How do our fees compare to our competitors?

Our fee structure is simple, where each Unit Class bears an ongoing charge, comprising the annual management fee and operating costs. No performance fees are applied 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 within customised peer groups. This peer group customisation is performed in order to compare each Unit Class against the equivalent Unit Classes for each peer fund.

Each customised peer group contains active funds with comparable investment strategies and risk profiles enabling like-for-like comparisons between funds. As an active manager, we exclude passive funds from the peer group due to the fundamental difference in the nature of investment management (active vs. passive), allowing a fair comparison of market rates. We have performed quantitative analysis of fund costs using external data from Morningstar, a reputable fund data provider in the industry, to measure our funds against a customised peer group of competitors' actively managed funds. When compared with the peer group, funds that have lower or comparable annual management fees and operating costs are deemed to provide value to the investor.

#### Composition of our charges



The traffic light ratings are determined as follows:

- **Green:** Unit Class provides value with comparable charge lower than or within 0.10% from peer group.
- **Amber:** Unit Class provides value with comparable charge within 0.10% to 0.20% from peer group.
- **Red:** Unit Class does not provide value with charge more than 0.20% above peer group.

#### 4. COSTS OF THE AUTHORISED FUND MANAGER (AFM COSTS)

How do fees and charges incurred by investors compare to the costs incurred by the AFM in operating the funds?

We have used both quantitative and qualitative criteria to assess the reasonableness of the management fee charged for each fund. The former entailed a review of the reasonableness in absolute terms of the profit margin achieved on each fund, whereas the latter involved a comparison of these figures to the profit margins earned on institutional separate accounts managed by Barings that operate an equivalent or similar investment strategy to the fund in question. We believe that the combination of these two approaches represents an effective way of benchmarking the fees against both the cost of the services provided and the arm's length nature of the management fees charged. As a firm, we believe that reinvesting these profits in the business is a priority as it enables us to employ top talent and utilise best in class systems, thereby helping us to deliver a high quality service whilst keeping our fees at a competitive level.

We assessed the other costs charged for each fund by reviewing the breakdown of costs for each fund in order to assess whether the costs were reasonable.

We also assessed the funds' transaction costs 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.

#### 5. ECONOMIES OF SCALE

Are we able to achieve economies of scale and benefits and pass these on to our investors?

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 will broadly remain consistent and can therefore be shared amongst a growing 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 at 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 pass on these benefits to investors.

Economies of scale can also be achieved by leveraging the size of the wider Barings business. For instance, 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 and subsequently pass this saving on to investors. We have reviewed the variable costs and fixed costs and assessed them relative to the size of the funds. We have assessed our ability to spread fixed costs or obtain lower variable costs across a large investor base when a fund grows, and measured whether the savings are reflected in lower fund costs charged to our investors.



## 6. COMPARABLE SERVICES

How do our fees charged compare to similar services that we provide to other clients?

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, whether individual or 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.

We compared the fees of comparable affiliated asset management services offering the same strategy and similar investment objectives and policies as the Barings U.K. fund range. In order to fairly compare costs that are paid by investors, we have used the ongoing charge as the measure to compare the cost our investors pay for funds with the same strategy but different domicile or fund structure. If fees paid by investors in our U.K. fund range are similar or lower than the fees that are paid by other investors with similar services under similar conditions, we have concluded that these investors are receiving value for money.

We also compared 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, hence we performed an additional profitability analysis to determine whether the overall charges incurred by investors are reasonable.



## 7. CLASSES OF UNITS

Are investors in the most appropriate class of unit and are the differences in Unit Class management fees appropriate?

A key consideration throughout the value assessment process is whether investors are in the most appropriate Unit Class, based on their characteristics and fees. We analysed the investor base of our funds and assessed whether they were in the Unit Class that offered the best value for them. The Barings U.K. fund range offers the following Unit Classes:

**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 institutional clients and professional investors such as investment platforms or other funds. Class I Units also serve as the “clean” Unit Class following the FCA’s Retail Distribution Review\*.

**Class D:** This is a Unit Class originally designed for certain distributors with a separate agreement in place with Barings.

Also, our funds are distributed globally and we work with various platforms, financial intermediaries and partners who have the knowledge and experience to conduct marketing activities and distribution services in local markets. In setting management fees for different Unit Classes, we consider the commercial relationship with these intermediaries through the services they provide and the characteristics of the intended investor segment.

Unit Classes may be offered to investors based on their specific needs i.e. those who choose to access our funds through a financial intermediary and those investors who have invested directly. Financial intermediaries and advisors investing in Class A Units may receive rebates as the Units had been designed for investors whose financial advisors earn compensation through commissions or who return commission payments to unitholders in the form of a rebate. Class I Units are offered to institutional investors as the clean fee class, offering no such rebate.

As part of this year’s assessment, we identified a small number of individual investors that may not have been in the most appropriate Unit Class and accordingly took steps to move them to a lower fee Unit Class of the same fund. This exercise was also performed in 2020, whereby eligible investors were switched from Class A Units to Class I Units. The FCA allows us to conduct a compulsory switch for our U.K. investors in our U.K. domiciled funds without incurring tax liabilities. We also contacted U.K. financial intermediaries in the Class A Units to inform them that there may be other, cheaper fee options available to them.

Since Barings’ U.K. domiciled funds are distributed globally, including in Asia and Europe, 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, we are unable to determine if it would be beneficial to move non-U.K. investors to a cheaper class due to specific country concerns such as tax treatments. We encourage all clients holding Units in the A class to contact their financial intermediary to understand if a more suitable Unit Class is available.

*\* Following the FCA’s introduction of the Retail Distribution Review (RDR), asset managers introduced “clean” Unit Classes, which generally charge lower management fees and do not offer commissions to the advisors, brokers or platforms selling the fund.*

# 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 representative for performance assessments. The results for other currency Unit Classes do not differ significantly.

For each fund, we have concluded that the charges incurred are justified in the context of the overall value delivered to investors, with the exception of the Barings Strategic Bond Fund for which action has been taken. Please refer to the respective individual fund assessments below for further details.

	1. Quality of service	2. Performance	3. Comparable market rates	4. Costs of the funds	5. Economies of scale	6. Comparable services	7. Classes of units	Overall		
								I	D	A
Barings Eastern Trust										
Barings Europe Select Trust									N/A	
Barings European Growth Trust									N/A	
Barings German Growth Trust									N/A	
Barings Global Agriculture Fund									N/A	
Barings Japan Growth Trust									N/A	
Barings Korea Trust									N/A	
Barings Strategic Bond Fund									N/A	

## Overall Ratings

The overall ratings are determined as follows:

- Left hemisphere denotes the I / D Unit Class rating.  
Right hemisphere denotes the A Unit Class rating.
- 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.

# Barings Eastern Trust

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in the Asia Pacific region excluding Japan.

Benchmark: *MSCI AC Asia ex Japan (Total Net Return) Index*

Peer Sector: *IA Sector - Asia Pacific Excluding Japan*

	I	D	A
<b>Overall Rating</b>	●	●	●
1. Quality of Service	●	●	●
2. Performance	●	●	●
3. Comparable Market Rates	●	●	●
4. AFM Costs	●	●	●
5. Economies of Scale	●	●	●
6. Comparable Services	●	●	●
7. Classes of Units	●	●	●

## OVERALL CONCLUSION:

All Unit Classes provide value.

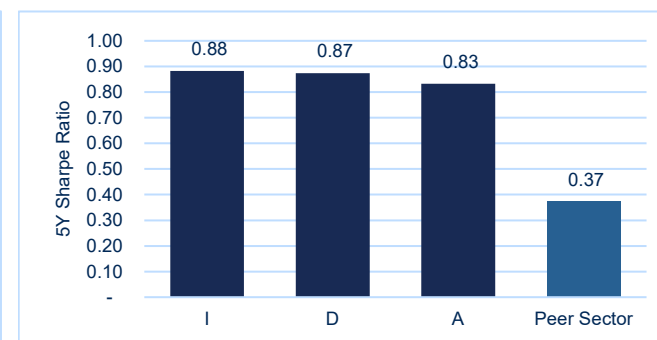
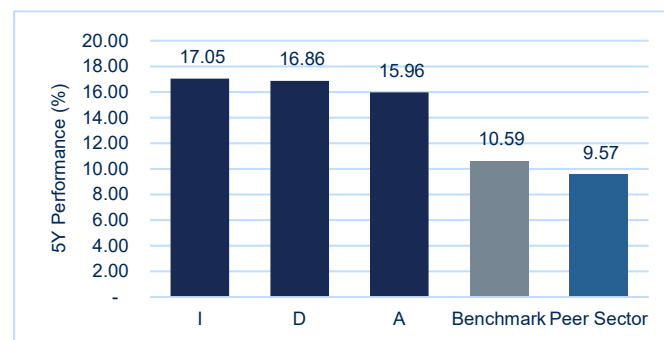
## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings Eastern Trust, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I, D and A) to be consistent with the firm level quality of service assessment. 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 we will continue to monitor for any Unit Class-specific deviations, which will be flagged in future assessments should they arise.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, against which all Unit Classes outperformed over a five-year period. The fund also achieved above average risk-adjusted returns (Sharpe Ratio) relative to the peer sector average across a five-year period, indicating that the fund has provided strong returns proportional to the amount of risk taken. As such, we have determined that each Unit Class has delivered value to its unit holders. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark.

The below graphs exhibit the five-year annualised performance of the fund Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised risk-adjusted return (Sharpe Ratio) of the fund Unit Classes relative to the peer sector average (right).

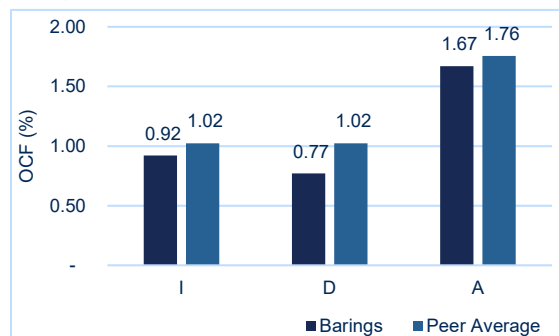


The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.

# Barings Eastern Trust (continued)

## 3. COMPARABLE MARKET RATES

For all Unit Classes, the fund's ongoing charges were lower than that of their respective peer groups. Similarly, each of the Unit Classes had a comparatively lower annual management fee and operating cost figure.



As such, we have concluded that for each of the Unit Classes, the fund has delivered value through lower ongoing charges incurred by investors.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we believe that these are reasonable in relation to the services provided. We therefore determined that each Unit Class has provided value.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further 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 where possible that fee reductions can be achieved via economies of scale and passed on to investors.

## 6. COMPARABLE SERVICES

We have an equivalent Irish-domiciled fund of the same strategy as the Barings Eastern Trust. Due to how the fees are split, although this comparable service has lower or equivalent management fees for the equivalent Unit Classes, the total ongoing charges are higher than that of Barings Eastern Trust. As such, we have concluded that the fund has provided value to its investors as we are providing a service at a price that is competitive with our comparable services overall.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020, however, we identified a small number of new investors that would be able to benefit from lower fees by investing in a different Unit Class. An exercise was completed on 26 November 2021, whereby we mandatorily switched the small selection of U.K. investors invested in Class A Units to the cheaper Class I Unit where we have been able to determine that there will not be any negative tax implications. 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.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs. However, we continue to encourage investors holding class A Units through a financial intermediary to contact their financial advisors.



# Barings Eastern Trust - Overall Conclusion

## OVERALL ASSESSMENT:

Overall, we have assessed all Units Classes of the Barings Eastern Trust as delivering value to its investors, having all achieved a green rating in all of the 7 FCA assessment categories.

This compares to the prior year overall rating of green for both Unit Classes, scoring a green rating in 5 of the 7 FCA assessment categories.

## NEXT STEPS:

We have been reviewing the investment objective and policies of the fund in light of the assessment of value and want to set out clearly for investors the performance that we are aiming to achieve. The fund is not currently managed to a benchmark, although we do specify a benchmark as a performance comparator as a way to assess fund performance. We are, subject to going through the required regulatory process, proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. This will not change the fund's investment policy or strategy.

# Barings Europe Select Trust

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in Europe excluding the United Kingdom.

Benchmark: *EMIX Smaller European Companies Ex UK (Total Net Return) Index*

Peer Sector: *IA Sector - European Smaller Companies*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

All Unit Classes provide value.

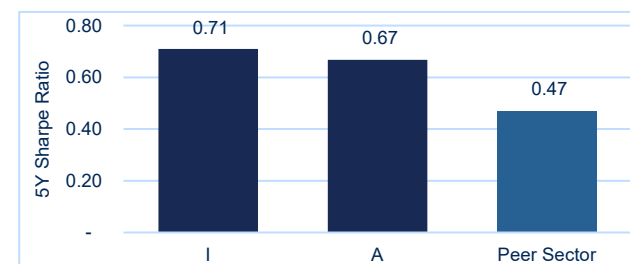
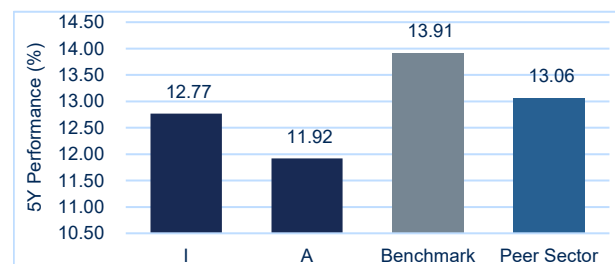
## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings Europe Select Trust, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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 we will continue to monitor for any Unit Class-specific deviations, which will be flagged in future assessments should they arise.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, against which both Unit Classes underperformed over a five-year period. The fund achieved above average risk-adjusted returns (Sharpe Ratio) relative to the peer sector average, indicating that the fund has provided strong returns proportional to the amount of risk taken. This underperformance is primarily attributable to weak relative performance during the fourth quarter of 2020 when, due to the successful development and roll-out of coronavirus vaccines, equity markets globally performed strongly amid optimism about prospects for a global economic recovery. In this environment, the fund's limited exposure to higher risk companies resulted in underperformance relative to the benchmark as these companies rebounded strongly.

The below graphs exhibit the five-year annualised performance of the fund Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.



The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.

Key: ● Fund provides value    ● Fund provides value with action taken and/or is being monitored where required    ● Fund does not provide value and action has been taken

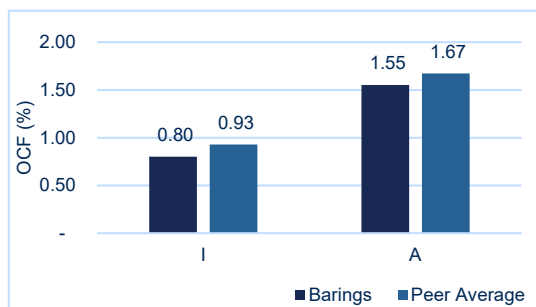
# Barings Europe Select Trust (continued)

## 2. PERFORMANCE (CONTINUED)

The manager has conducted a review of the fund and retains belief in their investment disciplines, maintaining the long-held approach, which consistently targets investment in companies that demonstrate longer-term quality characteristics. Furthermore, the manager remains convinced that such companies, when reasonably valued, and when their future prospects and profit growth potential are demonstrably improving, will ultimately experience strong share price performance. As a result of the strong longer term performance of the fund, we have determined that both Unit Classes provide value although the manager and the Board will continue to monitor the fund to assess the impact of the review on its performance. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark.

## 3. COMPARABLE MARKET RATES

For both Unit Classes, the fund's ongoing charges were lower than that of their respective peer groups. The I Unit Class had a comparably lower annual management fee and operating cost figure. The A Unit Class had a comparably lower operating cost figure, offset by a higher annual management fee.



As such, we have concluded that for each of the Unit Classes, the fund has delivered value through overall lower ongoing charges incurred by investors.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we believe that these are reasonable in relation to the services provided. We therefore determined that each Unit Class has provided value.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further 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 where possible that fee reductions can be achieved via economies of scale and passed on to investors.

## 6. COMPARABLE SERVICES

We have an equivalent Irish-domiciled fund of the same strategy as the Barings Europe Select Trust. Although this comparable service has equivalent management fees for the equivalent Unit Classes, the total ongoing charges are higher than that of the Barings Europe Select Trust. We also assessed the I class management fees of the fund against a comparable separately managed account for an institutional investor, against which the Barings Europe Select Trust was more expensive. We then performed an additional profitability analysis and determined that the overall charges incurred by fund investors are reasonable. As such, we have concluded that the fund has provided value to its investors as we are providing a service at a price that is competitive with our comparable services overall.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020, however, we identified a small number of new investors that would be able to benefit from lower fees by investing in a different Unit Class. An exercise was completed on 26 November 2021, whereby we mandatorily switched the small selection of U.K. investors invested in Class A Units to the cheaper Class I Unit where we have been able to determine that there will not be any negative tax implications. 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.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs. However, we continue to encourage investors holding class A Units through a financial intermediary to contact their financial advisors.

# Barings Europe Select Trust - Overall Conclusion

## OVERALL ASSESSMENT:

Overall, we have assessed the Barings Europe Select Trust as delivering value to its investors, with the both the I and A Unit Classes having achieved a green rating in 6 of the 7 FCA assessment categories.

This compares to the prior year overall rating of green for both Unit Classes, with the I Unit Class having scored a green rating in 5 of the 7 FCA assessment categories and the A Unit Class having scored a green rating in 6 of the 7 categories.

From a performance perspective, the manager has conducted a review of the fund and retains conviction in the current portfolio management disciplines. As performance is assessed over a five-year period, performance recovery may not occur in the short-term.

## NEXT STEPS:

We will continue to monitor the performance of all Unit Classes within the fund throughout the year.

We have been reviewing the investment objective and policies of the fund in light of the assessment of value and want to set out clearly for investors the performance that we are aiming to achieve. The fund is not currently managed to a benchmark, although we do specify a benchmark as a performance comparator as a way to assess fund performance. We are, subject to going through the required regulatory process, proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. This will not change the fund's investment policy or strategy.

# Barings European Growth Trust

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in Europe excluding the United Kingdom.

Benchmark: *MSCI Europe Ex UK (Total Net Return) Index*

Peer Sector: *IA Sector – Europe Excluding UK*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

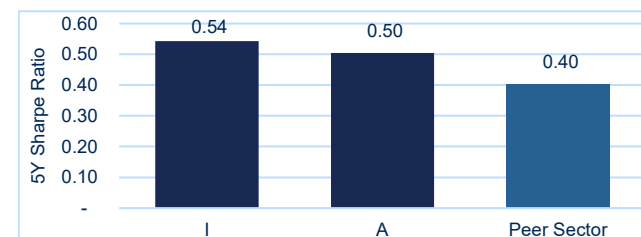
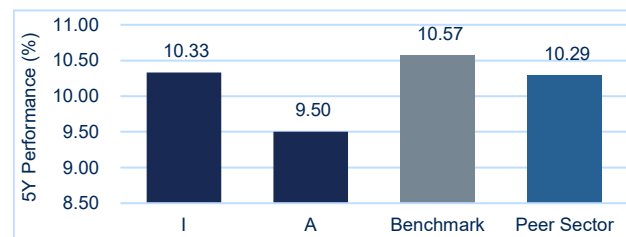
All Unit Classes provide value, however the performance of the fund remains an area of ongoing focus.

## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings European Growth Trust, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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 we will continue to monitor for any Unit Class-specific deviations, which will be flagged in future assessments should they arise.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, against which both Unit Classes underperformed over a five-year period. The fund achieved above average risk-adjusted returns relative to the peer sector average, indicating that the fund has provided strong returns proportional to the amount of risk taken. Equity market turbulence in 2018 had an adverse impact to long-term performance, where investors sought refuge in sectors such as Utilities and Telecommunications that perform strongly in periods of economic downturn, in which the fund had relatively limited exposure. This fund had a change in fund manager in 2020, who has undertaken a full review of the portfolio and made key changes to emphasise the fund's strategy of bottom-up stock selection as the most important driver of relative returns. This has led to stronger performance this year when the fund has outperformed its comparative benchmark. As a result of the outperformance relative to the peer sector average and the strong short-term performance, we determined that the I Unit Class delivered value. Despite strong short-term performance, the A Unit Class underperformed relative to the peer sector average, hence we determined that the Unit Class did not deliver sufficient value. The Board will continue to monitor the recovery in performance following the change in fund manager in 2020. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. The below graphs exhibit the five-year annualised performance of the fund Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.



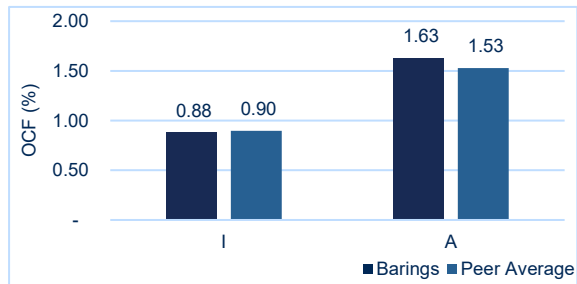
The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.



# Barings European Growth Trust (continued)

## 3. COMPARABLE MARKET RATES

For both Unit Classes, the fund's ongoing charges were lower or within 0.10% of their respective peer groups (due to rounding). The I Unit Class had a comparably lower annual management fee and operating cost figure. The A Unit Class had a comparably lower operating cost figure, offset by a higher annual management fee.



As such, we have concluded that for each of the Unit Classes, the fund has delivered value.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we believe that these are reasonable in relation to the services provided. We therefore determined that each Unit Class has provided value.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further 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 where possible that fee reductions can be achieved via economies of scale and passed on to investors. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark.

## 6. COMPARABLE SERVICES

We do not have any equivalent funds of the same strategy to compare against. In the absence of a comparable service for this fund, we have determined that the fund provides value.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020, however, we identified a small number of investors who would be able to benefit from lower fees by investing in a different Unit Class. An exercise was completed on 26 November 2021, whereby we mandatorily switched the small selection of U.K. investors invested in Class A Units to the cheaper Class I Unit where we have been able to determine that there will not be any negative tax implications. 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.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs. However, we continue to encourage investors holding class A Units through a financial intermediary to contact their financial advisors.

# Barings European Growth Trust - Overall Conclusion

## OVERALL ASSESSMENT:

As detailed within the 2020 assessment of value, there was a change in fund manager in early 2020, which has resulted in positive outperformance over the last 12 months.

Overall, we have assessed the Barings European Growth Trust as delivering value to its investors, with the I Unit Class having achieved a green rating in 6 of the 7 FCA assessment categories and the A Unit Class having achieved a green rating in 5 of the 7 categories.

This compares to the prior year overall rating of amber for both Unit Classes, both scoring a green rating in 5 of the 7 FCA assessment categories.

Overall, we have rated the A Unit Class amber as, although it has achieved a high number of green ratings, the Unit Class was given a red rating in respect of its performance.

## NEXT STEPS:

We have assessed all Unit Classes of the Barings European Growth Trust as having provided value to its investors. Following the amber rating in respect of the I Unit Class and the red rating in respect of the A Unit Class, as we endeavour to achieve continued improvement in the fund performance following the change in fund manager, the short-term positive performance has not yet been sufficient for the Unit Classes to outperform the benchmark over a five-year period. As performance is assessed over a five-year period, performance recovery may not occur in the short-term.

We have been reviewing the investment objective and policies of the fund in light of the assessment of value and want to set out clearly for investors the performance that we are aiming to achieve. The fund is not currently managed to a benchmark, although we do specify a benchmark as a performance comparator as a way to assess fund performance. We are, subject to going through the required regulatory process, proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. This will not change the fund's investment policy or strategy.

# Barings German Growth Trust

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in Germany.

Benchmark: *HDAX® (Total Return) Index*

Peer Sector: *Morningstar Sector – EEA Fund German Equity*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

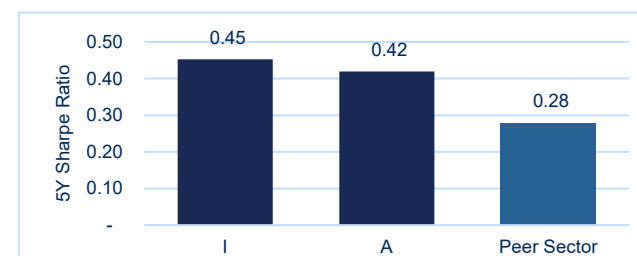
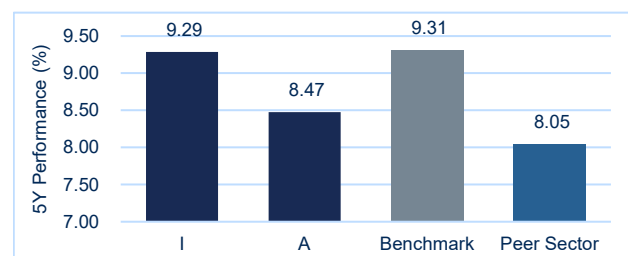
All Unit Classes provide value.

## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings German Growth Trust, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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 we will continue to monitor for any Unit Class-specific deviations, which will be flagged in future assessments should they arise.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, against which both Unit Classes marginally underperformed over a five-year period, however both Unit Classes outperformed the peer sector average as well as achieving above average risk-adjusted returns (Sharpe Ratio) relative to the peer sector average, indicating that the fund has provided strong returns proportional to the amount of risk taken. The manager retains conviction in its approach, which favours quality companies that deliver unrecognised growth and which this year has delivered strong relative outperformance. Over the longer term, the fund's underperformance was impacted by events in 2018, where equities of larger companies in Germany significantly outperformed smaller companies, to which the fund has a strong bias. This followed increased concerns surrounding slowing global growth and central banks' withdrawal of money supply to support European countries. In addition, the fund also underperformed its benchmark in the earlier stages of 2020, as the COVID-19 pandemic took hold and market volatility increased globally, impacting smaller companies more aggressively than their larger peers. The below graphs exhibit the five-year annualised performance of the fund Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.



The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.

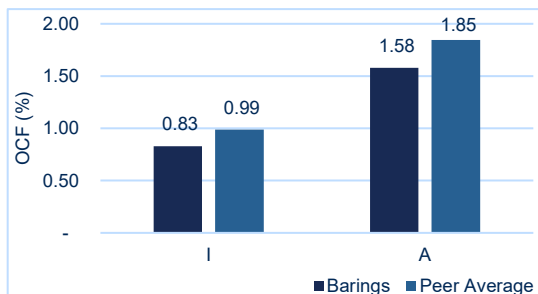
# Barings German Growth Trust (continued)

## 2. PERFORMANCE (CONTINUED)

In 2020, the fund manager conducted a review of the fund and repositioned part of the fund to more defensive sectors. As a result of all Unit Classes outperforming relative to the peer sector average and the strong short-term performance, we determined that all Unit Classes delivered value. The Board will continue to monitor the recovery in performance following the portfolio review. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. As a result of performance recovering following the manager review of the fund, we have determined that both the I and A Unit Classes provide value but will remain an area of ongoing focus.

## 3. COMPARABLE MARKET RATES

For both Unit Classes, the fund's ongoing charges were lower than that of their respective peer groups. Similarly, each of the Unit Classes had a comparatively lower or equivalent annual management fee and operating cost figure.



As such, we have concluded that for each of the Unit Classes, the fund has delivered value through lower ongoing charges incurred by investors.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we believe that these are reasonable in relation to the services provided. We therefore determined that each Unit Class has provided value.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further 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 where possible that fee reductions can be achieved via economies of scale and passed on to investors.

## 6. COMPARABLE SERVICES

We have an equivalent Irish-domiciled fund of the same strategy as the Barings German Growth Trust. Due to how the fees are split, although this comparable service has lower or equivalent management fees for the equivalent Unit Classes, the total ongoing charges are higher than that of Barings German Growth Trust. As such, we have concluded that the fund has provided value to its investors as we are providing a service at a price that is competitive with our comparable services overall.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020, however, we identified a small number of new investors that would be able to benefit from lower fees by investing in a different Unit Class. An exercise was completed on 26 November 2021, whereby we mandatorily switched the small selection of U.K. investors invested in Class A Units to the cheaper Class I Unit where we have been able to determine that there will not be any negative tax implications. 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.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs. However, we continue to encourage investors holding class A Units through a financial intermediary to contact their financial advisors.

# Barings German Growth Trust - Overall Conclusion

## OVERALL ASSESSMENT:

Overall, we have assessed all Unit Classes of the Barings German Growth Trust as delivering value to its investors, having each achieved a green rating in 6 of the 7 FCA assessment categories.

This compares to the prior year rating of amber, with both Unit Classes having scored a green rating in 5 of the 7 FCA assessment categories.

## NEXT STEPS:

We have assessed the Barings German Growth Trust as having provided value to its investors, however we will continue to monitor the performance of the fund throughout the year. From a performance perspective, the manager has conducted a review of the fund and retains conviction in the current portfolio management disciplines. Although the short-term performance is positive, it has not yet been sufficient for the Unit Classes to outperform the benchmark over a five-year period. As performance is assessed over a five-year period, performance recovery may not occur in the short-term.

We have been reviewing the investment objective and policies of the fund in light of the assessment of value and want to set out clearly for investors the performance that we are aiming to achieve. The fund is not currently managed to a benchmark, although we do specify a benchmark as a performance comparator as a way to assess fund performance. We are, subject to going through the required regulatory process, proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. This will not change the fund's investment policy or strategy.

# Barings Global Agriculture Fund

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in the agricultural sector.

Benchmark: *DAXglobal® Agribusiness (Total Net Return) Index*

Peer Sector: *Morningstar Sector - EAA Fund Sector Equity Agriculture*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

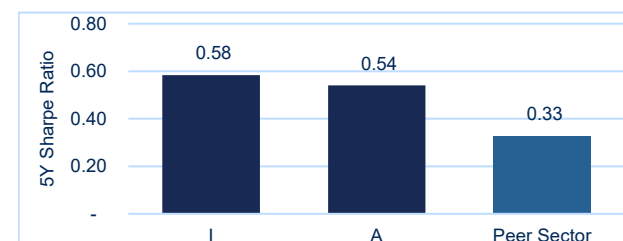
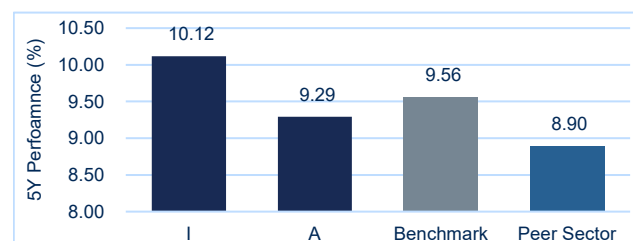
All Unit Classes provide value, although action has been taken to cap operating expenses. See **Next Steps**.

## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings Global Agriculture Fund, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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 we will continue to monitor for any Unit Class-specific deviations, which will be flagged in future assessments should they arise.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, against which the I Unit Class outperformed and the A Unit Class marginally underperformed across a five-year period whilst both Unit Classes outperformed relative to the peer sector average. Additionally, across a five-year period, the fund achieved above average risk-adjusted returns (Sharpe Ratio) relative to the peer average, indicating that the fund has provided strong returns proportional to the amount of risk taken. As the A Unit Class underperformed its benchmark over a five-year period, we also reviewed its short term performance, against which the A Unit Class outperformed both the benchmark and the peer sector average. As such, we have determined that all Unit Classes provide value, however the performance of the A Unit Class will remain an area of focus, having underperformed relative to the benchmark over a five-year period. The manager retains conviction in its approach, which favours quality companies that deliver unrecognised growth, evidenced in our relative performance delivery this year. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. The below graphs exhibit the five-year annualised performance of the fund Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.



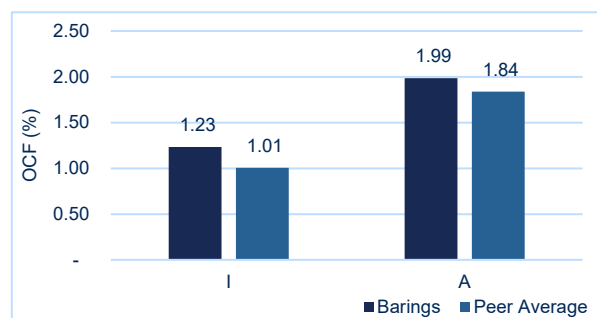
The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.



# Barings Global Agriculture Fund (continued)

## 3. COMPARABLE MARKET RATES

For both Unit Classes, the fund's ongoing charges were greater than their respective peer groups.



The A Unit Class OCF was within 0.20% of the peer group, with the annual management fee approximately in line with the peer group, hence we have determined that the Unit Class provides some value.

The I Unit Class OCF was more than 0.20% above its peer group, with the annual management fee consistent with the peer group but with the operating costs component being in excess. As a result, we determined that in respect of its OCF, the I Unit Class has not delivered value to investors.

Following a full analysis of overall costs, the Board determined action should be implemented with details provided in the fund's **Overall Assessment** section.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we believe that the management fee and transaction costs are reasonable in relation to the services provided but action is required. As a result, following a full analysis of operating costs, the Board determined action should be implemented with details provided in the fund's **Overall Assessment** section.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further 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 where possible that fee reductions can be achieved via economies of scale and passed on to investors.

## 6. COMPARABLE SERVICES

We do not have any equivalent funds of the same strategy to compare against. In the absence of a comparable service for this fund, we have determined that the fund provides value.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020 and in relation to the Barings Global Agriculture Fund, there were no new investors for whom we could perform a mandatory Unit Class switch.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs. However, we continue to encourage investors holding class A Units through a financial intermediary to contact their financial advisors.

# Barings Global Agriculture Fund - Overall Conclusion

## OVERALL ASSESSMENT:

Within the 2020 assessment of value, we determined that the OCFs for the fund were high and therefore took action to try and reduce these charges incurred by investors. As a result, the OCF for both the I and A Unit Classes were reduced. Despite this, we have determined that in 2021, the charges incurred by investors for this fund are still higher than we would like. This is mainly because the Barings Agriculture Fund is the only sub-fund under the Barings Investment Umbrella Fund meaning that all costs are charged to the Barings Global Agriculture Fund. Most fund structures have multiple sub-funds, which allows costs to be shared between sub-funds.

Overall, we have assessed the Barings Global Agriculture Fund as delivering value to its investors, with the I Unit Class achieving a green rating in 5 out of 7 of the FCA assessment categories and the A Unit Classes achieving a green rating in 4 of the 7 categories. Overall, both Unit Classes were given amber ratings because they did not provide sufficient value in respect of the comparable market rates category.

This compares to the prior year overall rating of amber for both Unit Classes, with the I Unit Class having scored a green rating in 3 of the 7 FCA assessment categories and the A Unit Class having scored a green in 4 of the 7 categories.

## NEXT STEPS:

We have decided to subsidise operating expenses charged to this fund by introducing a cap of 0.25% per annum until the fund can achieve sufficient scale. The cap means the authorised company director will cover operating costs exceeding 0.25% from its own resources ensuring investors benefit from a reduced and more stable OCF.

In respect of the fund performance, we have assessed the Barings Global Agriculture Fund as having provided value to its investors, however we will continue to monitor the performance of the fund throughout the year.

We have been reviewing the investment objective and policies of the fund in light of the assessment of value and want to set out clearly for investors the performance that we are aiming to achieve. The fund is not currently managed to a benchmark, although we do specify a benchmark as a performance comparator as a way to assess fund performance. We are, subject to going through the required regulatory process, proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. This will not change the fund's investment policy or strategy.

# Barings Japan Growth Trust

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in Japan.

Benchmark: *Japan (TSE) First Section (Total Net Return) Index*

Peer Sector: *IA Sector - Japan*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

All Unit Classes provide value.

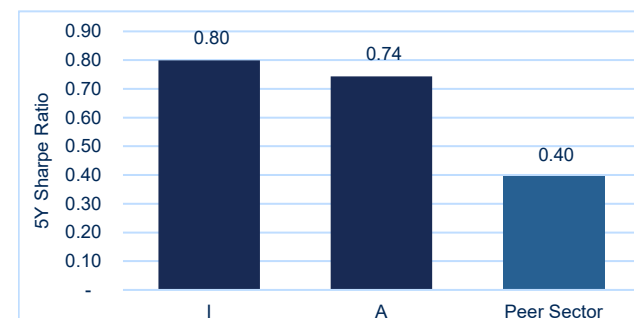
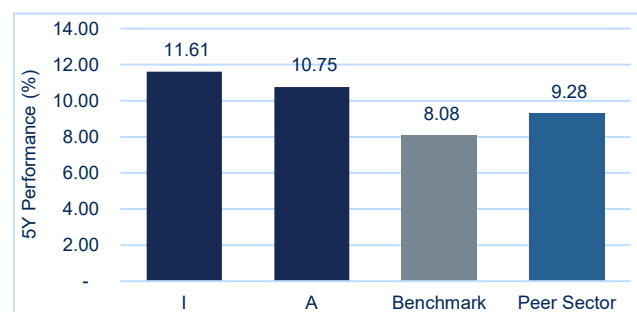
## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings Japan Growth Trust, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, against which both Unit Classes outperformed across a five-year period as well as outperforming relative to the peer sector average. Additionally, across a five-year period, the fund achieved above average risk-adjusted returns (Sharpe Ratio) relative to the peer sector average, indicating that the fund has provided strong returns proportional to the amount of risk taken. As such, we have determined that all Unit Classes provide value.

The below graphs exhibit the five-year annualised performance of the fund Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.

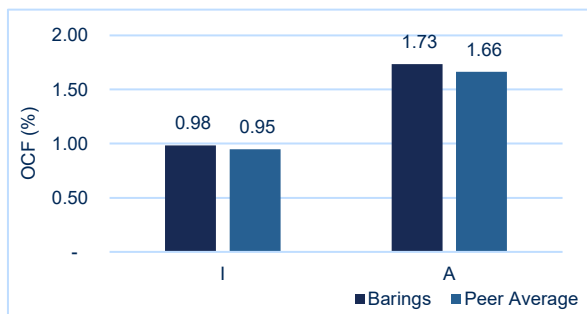


The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.

# Barings Japan Growth Trust (continued)

## 3. COMPARABLE MARKET RATES

For both Unit Classes the fund's ongoing charges were within 0.10% of their respective peer groups. We also determined the I Class annual management fee to be lower than its peer group, offset by its other charges which were 0.05% above the average. In respect of the A Unit Class, both the annual management fee and other charges constituents of the OCF were determined to be within 0.10% of the peer group.



As such, we have concluded that for each of the Unit Classes, the fund has delivered value to investors.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we believe that these are reasonable in relation to the services provided. We therefore determined that each Unit Class has provided value.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further savings can be automatically passed on to our investors as and when the funds grow.

## 6. COMPARABLE SERVICES

We do not have any equivalent funds of the same strategy to compare against. In the absence of a comparable service for this fund, we have determined that the fund provides value.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020 and in relation to the Barings Japan Growth Trust, there were no new investors for whom we could perform a mandatory Unit Class switch.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs.

# Barings Japan Growth Trust - Overall Conclusion

## OVERALL ASSESSMENT:

Overall, we have assessed the Barings Japan Growth Trust as delivering value to its investors, with both the I and A Unit Classes achieving a green rating in all of the 7 FCA assessment categories.

This compares to the prior year overall rating of green for both Unit Classes, with the I Unit Class having scored a green rating in 5 of the 7 FCA assessment categories and the A Unit Class having scored a green in 6 of the 7 categories.

## NEXT STEPS:

Although the Barings Japan Growth Trust has been assessed as providing investors with value, the fund's assets under management ("AUM") had fallen to a level at which the fund could no longer be managed efficiently. Following the redemption of the largest unitholder, costs payable out of assets would become unreasonable for investors. Consequently, despite steady outperformance, the Board made the decision to close the fund in the best interests of investors with a closure date of 6 December 2021. This closure was communicated to investors in the fund by a notice issued on 5 October 2021.

# Barings Korea Trust

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth by investing in Korea.

Benchmark: *Korea Composite Stock Price Index (KOSPI)*

Peer Sector: *Morningstar Sector - EEA Fund Korea Equity*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

All Unit Classes provide value.

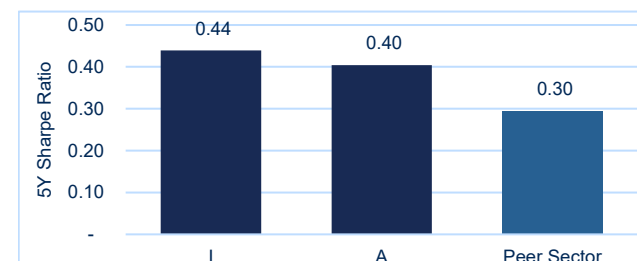
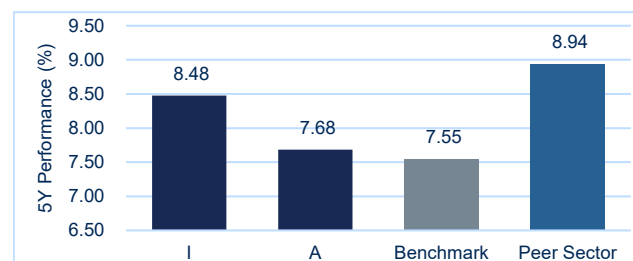
## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings Korea Trust, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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 we will continue to monitor for any Unit Class-specific deviations, which will be flagged in future assessments should they arise.

## 2. PERFORMANCE

The fund is primarily assessed relative to its benchmark, which all of the Unit Classes outperformed across a five-year period. Additionally, across a five-year period, the fund achieved above average risk-adjusted returns (Sharpe Ratio) relative to the peer sector average, indicating that the fund has provided strong returns proportional to the amount of risk taken. As such, we have determined that both the I and A Unit Classes provide value. Subject to the required regulatory process, we are proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark.

The below graphs exhibit the five-year annualised performance of the fund's Unit Classes, net of fees, relative to the fund benchmark and peer sector average (left) and the five-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.



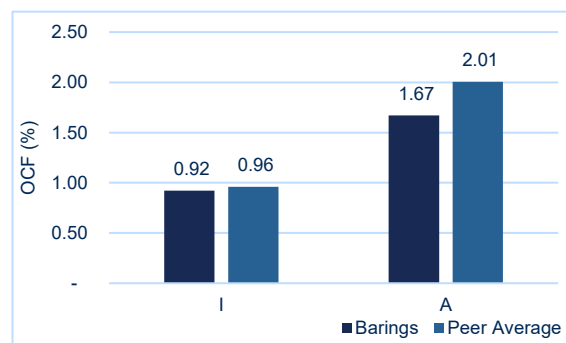
The equivalent return from 5-year GBP LIBOR for the year ended 31 August 2021 was 0.47%. Past performance is not a guide to future performance.



# Barings Korea Trust (continued)

## 3. COMPARABLE MARKET RATES

For both Unit Classes, the fund's ongoing charges were lower than that of their respective peer groups. The I Unit Class had a comparably lower annual management fee and other charges were approximately equivalent. The A Unit Class had comparably lower annual management fees and other charges relative to its peer group.



As such, we have concluded that for each of the Unit Classes, the fund has delivered value through lower ongoing charges incurred by investors.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we have concluded that the management fee and other costs are reasonable in relation to the services provided.

However, we determined that the portfolio turnover, and thereby the transaction costs, continue to be higher than expected, although have been reduced over the last 12 months.

We therefore determined that each Unit Class has provided value, however, transaction costs remains an area of focus.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further 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 where possible that fee reductions can be achieved via economies of scale and passed on to investors.

## 6. COMPARABLE SERVICES

We do not have any equivalent funds of the same strategy to compare against. In the absence of a comparable service for this fund, we have determined that the fund provides value.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020, and in relation to the Barings Korea Trust, there were no new investors for whom we could perform a mandatory Unit Class switch.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs. However, we continue to encourage investors holding class A Units through a financial intermediary to contact their financial advisors.

# Barings Korea Trust - Overall Conclusion

## OVERALL ASSESSMENT:

Overall, we have assessed the Barings Korea Trust as delivering value to its investors, with the both the I and A Unit Classes having achieved a green rating in 6 of the 7 FCA assessment categories.

This compares to the prior year overall rating of green for both Unit Classes, both scoring a green rating in 4 of the 7 FCA assessment categories.

## NEXT STEPS:

We have assessed all Unit Classes of the Barings Korea Trust as having provided value to its investors.

Within our 2020 assessment of value, we determined the turnover levels and resulting transaction costs for the Barings Korea Trust were higher than expected. As such, we took actions to reduce portfolio turnover, and thereby reduced transaction costs. However, we determined that turnover levels continue to be high in 2021 and as such, remains an area of ongoing focus.

We have been reviewing the investment objective and policies of the fund in light of the assessment of value and want to set out clearly for investors the performance that we are aiming to achieve. The fund is not currently managed to a benchmark, although we do specify a benchmark as a performance comparator as a way to assess fund performance. We are, subject to going through the required regulatory process, proposing during the next review period to amend the fund's investment objective so that this includes the benchmark as a formal performance target benchmark. This will not change the fund's investment policy or strategy.

# Barings Strategic Bond Fund

## INVESTMENT OBJECTIVE

The investment objective of the fund is to achieve capital growth together with income by investing globally.

Benchmark: *Not applicable*

Peer Sector: *Morningstar Sector - EAA Fund Global Bond*

	I	A
<b>Overall Rating</b>	●	●
1. Quality of Service	●	●
2. Performance	●	●
3. Comparable Market Rates	●	●
4. AFM Costs	●	●
5. Economies of Scale	●	●
6. Comparable Services	●	●
7. Classes of Units	●	●

## OVERALL CONCLUSION:

The I Unit Class has provided value in certain areas whilst the A Unit Class has not provided value in key areas. See **Next Steps**.

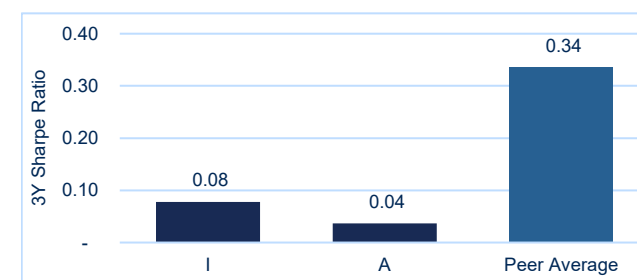
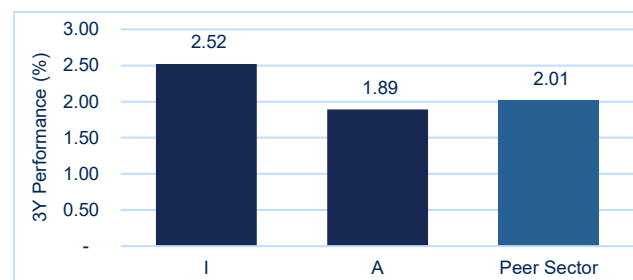
## 1. QUALITY OF SERVICE

We considered the quality of service provided at a firm level as it relates to the whole fund range as detailed on page 9. For the Barings Strategic Bond Fund, we did not identify any Unit Class-specific factors in relation to the quality of service provided, hence we have assessed the quality of service provided on all available Unit Classes (I and A) to be consistent with the firm level quality of service assessment. 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.

## 2. PERFORMANCE

Given that the fund does not have a benchmark defined within the fund prospectus, the fund is primarily assessed relative to the peer sector average, which the I Unit Class outperformed across a three-year period whilst the A Unit Class underperformed. Across a three-year period, the fund achieved below average risk-adjusted returns relative to the peer sector average, indicating that the fund has provided weaker returns proportional to the amount of risk taken. As the I Unit Class has outperformed the peer sector average, we have determined that the Unit Class provides value whilst the A Unit Class underperformed relative to the peer sector average over a three-year period, hence we have determined the Unit Class has not delivered value. See **Next Steps** below regarding fund closure.

The below graphs exhibit the three-year annualised performance of the fund Unit Classes, net of fees, relative to the peer sector average (left) and the three-year annualised Sharpe Ratio (right) of the fund Unit Classes relative to the peer sector average.

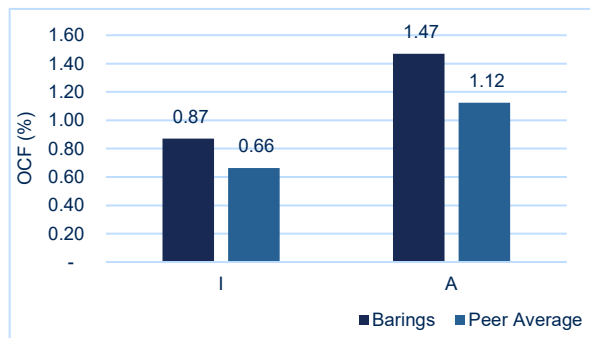


The equivalent return from 3-year GBP LIBOR for the year ended 31 August 2021 was 0.48%. Past performance is not a guide to future performance.

# Barings Strategic Bond Fund (continued)

## 3. COMPARABLE MARKET RATES

For both Unit Classes, the fund's ongoing charges were more than 0.20% higher than their respective peer groups. Both Unit Classes were determined to have annual management fees more than 0.10% above their respective peer groups. Similarly, the I and A Unit Classes were determined to have other charges more than 0.10% and 0.05% respectively above their peer groups.



As such, we concluded that for each of the Unit Classes, the fund has not delivered value to investors. See **Next Steps** below regarding the fund closure.

## 4. AFM COSTS

As detailed on page 13, we have used both quantitative and qualitative criteria to assess the reasonableness of the management fee, other costs charged and transaction costs for each fund. Based on this analysis, we have concluded that the management fee and other costs are reasonable in relation to the services provided.

We determined that the portfolio turnover, and thereby the transaction costs, continue to be higher than expected, although noted that turnover has been reduced materially.

As a result, we have determined that each Unit Class has delivered value, although would require further monitoring in respect of portfolio turnover. See **Next Steps** below regarding the fund closure.

## 5. ECONOMIES OF SCALE

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 leveraged Barings' business scale to achieve savings for investors in our U.K. fund range and negotiated tiered external service fees based on fund size so that further savings can be automatically passed on to our investors as and when the funds grow.

## 6. COMPARABLE SERVICES

We do not have any equivalent funds of the same strategy to compare against. In the absence of a comparable service for this fund, we have determined that the fund provides value.

## 7. CLASSES OF UNITS

It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances. Eligible investors were switched in 2020, however we identified a small number of new investors that would be able to benefit from lower fees by investing in different Unit Class. An exercise was completed on 26 November 2021, whereby we mandatorily switched the small selection of U.K. investors invested in Class A Units to the cheaper Class I Unit where we have been able to determine that there will not be any negative tax implications. 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.

We have determined that all Unit Classes are providing value as we are satisfied that the reasons for the management fee differences between Unit Classes are appropriate and we also believe investors hold units in the most appropriate class of units available to their specific needs.

# Barings Strategic Bond Fund - Overall Conclusion

## OVERALL ASSESSMENT:

Overall, we determined that the I Unit Class delivered value whilst the A Unit Class did not. Despite the I Unit Class having delivered value, the decision has been made to close the fund as per the **Next Steps**.

This compares to the prior year overall rating of red for both Unit Classes.

## NEXT STEPS:

Last year, we highlighted the Barings Strategic Bond Fund had been rated red overall. The fund did not provide value when assessed in the areas of performance and comparable market rates. We concluded it was best to undertake an in-depth review of the fund covering its investment strategy, costs and market position during the year to help us make the right decisions for the benefit of our investors. Following a strategic review of the fund by Barings, to assess the funds market positioning, client environment, sustainability and future growth prospects, the decision was made to close the fund with a closure date of 18 January 2022. This closure was communicated to investors in the fund by a notice issued on 17 November 2021.

# Glossary

## **Active management**

---

An approach to investment management where the investment manager uses their expertise to pick investments to achieve the fund's objectives and makes decisions to move actively away from any benchmark. The goal of the active manager is to outperform the overall market, rather than track closely the performance of the benchmark index. This can result in short term periods of underperformance, but is expected to outperform over the longer term (3-5 years).

## **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.

## **Board**

---

The board of directors of the AFM.

## **Bottom-up stock selection**

---

A stock selection methodology that focuses on company-level fundamentals rather than the economic environment.

## **Capital growth**

---

The increase in the value of an asset over time.

## **Clean fee Unit Class**

---

Refers to a Unit Class which does not make payments to distributors of the fund. Also commonly known as unbundled or trailer-free classes.

## **ESG**

---

Environmental, Social and Governance. These are factors that fund managers and businesses can use to invest successfully and sustainably in the long term.

## **Depository**

---

An independent third party service provider that is responsible for the monitoring of certain operational elements of the fund and retains for safekeeping the assets of the fund.

## **Financial Conduct Authority (FCA)**

---

The Financial Conduct Authority of the United Kingdom. The FCA regulates financial firms providing services to consumers and businesses and maintains the integrity of the financial markets in the United Kingdom.

## **Fund**

---

Any of the unit trusts or funds in scope of the Value Assessment.



### **IA Sector**

---

A third party categorisation of funds, produced by the Investment Association to help investors make comparisons between funds by grouping them into sectors of broadly comparable investment objectives.

### **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.

### **Morningstar Sector**

---

A third party categorisation of funds, produced by Morningstar, to help investors make comparisons between funds by grouping them into sectors of broadly comparable investment objectives.

### **Mutual fund**

---

A type of investment vehicle which pools money collected from a number of smaller investors, of which a Unit Trust is a subset.

### **Ongoing charges**

---

Total charge to investors made up of Annual Management Charge, administration charges and other operating costs including legal, audit and other professional fees.

### **Passive management**

---

An approach to investment management which aims to replicate the holding of an index so as to match its performance.

### **Peer group**

---

A group of similar funds that are compared with each other based on investment strategy.

### **Performance fee**

---

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

### **Performance return**

---

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

### **Portfolio turnover**

---

A measure of how quickly assets are bought or sold in a fund. A high portfolio turnover measure indicates more frequent trading of assets, generally incurring higher transaction costs.

### **Professional investor**

---

An investor who is a professional in the finance industry or a large corporate entity.

### **Quantitative assessment**

---

Analysis which focuses on numerical data to make conclusions.

### **Qualitative assessment**

---

Analysis which focuses on non-numerical data to make conclusions.

### **Retail investor**

---

An investor who is an individual or non-professional investor.

### **Risk-adjusted return**

---

The return an investment makes relative to the amount of risk the investment has taken.

**Segregated account**

---

A fund portfolio held separately by a single large investor.

**Sharpe Ratio**

---

A financial indicator used to assess performance relative to the associated investment risk.

**Transaction costs**

---

The costs involved in buying and selling assets within a fund.

**Trustee**

---

In a unit trust, a third party service provider that oversees the actions of the investment manager and responsible for holding the assets of the fund on trust.

**U.K.**

---

The United Kingdom.

**Unit Class**

---

A particular division of units which are different to other units in a Unit Trust. Units can be differentiated by fees due to different costs involved with servicing the needs of investors in different classes or paying out income rather than keeping income in the fund.

# Important Information

This document is approved and issued by Baring Fund Managers 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.

Baring Fund Managers Limited  
20 Old Bailey  
London  
EC4M 7BF

**BARINGS.COM**