

Barings Global High Yield Bond Fund

SUMMARY

The Fund will invest principally in a portfolio of high yield fixed and floating rate corporate debt instruments, focusing primarily on North American and European high yield instruments which are listed or traded on recognised markets in Europe or North America.

The Fund is also permitted to invest to a lesser extent in other types of debt instruments such as high yield instruments issued in currencies other than US Dollar or European currencies by issuers outside North America or Europe, investment grade bonds, cash and near cash, deposits, money market instruments (such as short term commercial paper, bankers' acceptances, bank notes, government securities, certificates of deposit and, subject to a limit of 10% of Net Asset Value, certain loan instruments (which may be securitised or unsecuritised) which qualify as money market instruments in accordance with the requirements of the Central Bank), convertible bonds, including CoCos, which are not expected to be materially leveraged (subject to a limit of 10% of Net Asset Value), corporate debt instruments from emerging markets (subject to a limit of 10% of Net Asset Value), and units and/or shares in collective investment schemes (subject to a limit of 10% of Net Asset Value) where such investment is consistent with the investment objective of the Fund.

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The Fund will invest at least 50% of the Fund's total assets in fixed income instruments of companies that exhibit positive or improving environmental ("E"), social ("S") and governance ("ESG") characteristics. The E and S current state scores are established using a proprietary industry-based scoring technique, utilizing baseline industry evaluations and adjusted for internal underwriting conclusions. The Investment Manager's consideration of factors when deriving a score is based on financial materiality and will encompass any number of E or S characteristics. More detail regarding the methodology is outlined below.

The Fund's remaining 50% will be cash, cash equivalents, hedging instruments and in investments which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments. Derivatives are not used to attain the environmental or social characteristics promoted by the Fund and the Fund does not use a reference benchmark to measure the attainment of its environmental and social characteristics.

Companies that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary ESG scoring methodology, which is supported with the use of third party issuer-specific ESG data. When assessing an investment, the Investment Manager will utilise their direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers such as MSCI, Sustainalytics and Bloomberg ESG. This information and interaction allow thorough due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager examines the scores of the indicators to determine an issuer's ESG credentials over time and considers relevant shocks that may impact the scoring. Scoring indicators include environmental (resource intensity, environmental footprint, traceability) social (societal impacts of products and services, business ethics, employee satisfaction) and governance (effectiveness of

management boards, credibility of auditing arrangements and accountability of management) assessments to screen companies where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers as detailed below. ESG ratings are compiled based on an analyst assessment and presented in investment underwriting memos. Issuers are assigned both a current state ESG score and an outlook rating for ESG for environmental, social, and governance categories. The current state ratings assess the current sustainability profile of the issuer relative to the investment universe. Outlook ratings analyse momentum of the company on ESG topics in comparison to sector ESG development. Investee companies will be considered as being “positive” if they have a higher current state rating. Investee companies will be considered as being “improving” if they have a moderate current state rating and an improving outlook rating. The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve issuer behaviour. Engagement activity is focused on key ESG credit risk areas for issuers and provision of relevant information. The Investment Manager incorporates these ESG factors into the investment process to identify issuers with strong fundamentals, favourable ESG scores, attractive valuations and sustainable business models. Further detail of the Investment Manager’s ESG policy for the Fund is available on the Manager’s website at www.barings.com.

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

Our investment decisions are based on internal research, which encompass both our proprietary financial underwriting and ESG assessment. Furthermore, the investment professional responsible for evaluating and valuing a fixed income instrument is also responsible for its ESG assessment and forms an integral part of our analysis. External sources of research/data typically from the issuer are utilized to understand market consensus and gather data but often research availability can be limited. To supplement our own ESG research, our team also has access to third-party resources such as Bloomberg ESG, MSCI and Sustainalytics, which provide institutional investors with issuer-specific ESG data.

NO SUSTAINABLE INVESTMENT OBJECTIVE

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

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The environmental and social characteristics promoted by the Fund will be to invest at least 50% of its total assets in fixed income instruments of companies that exhibit positive or improving environmental (“E”), social (“S”) and governance (“ESG”) characteristics. The E and S current state scores are established using a proprietary industry-based scoring technique, utilizing baseline industry evaluations and adjusted for internal underwriting conclusions. The Investment Manager’s consideration of factors when deriving a score is based on financial materiality and will encompass any number of E or S characteristics. More detail regarding the methodology is outlined below.

INVESTMENT STRATEGY

The Fund will invest principally in a portfolio of high yield fixed and floating rate corporate debt instruments, focusing primarily on North American and European high yield instruments which are listed or traded on recognised markets in Europe or North America.

The Fund is also permitted to invest to a lesser extent in other types of debt instruments such as high yield instruments issued in currencies other than US Dollar or European currencies by issuers outside North America or Europe, investment grade bonds, cash and near cash, deposits, money market instruments (such as short term commercial paper, bankers' acceptances, bank notes, government securities, certificates of deposit and, subject to a limit of 10% of Net Asset Value, certain loan instruments (which may be securitised or unsecuritised) which qualify as money market instruments in accordance with the requirements of the Central Bank), convertible bonds, including CoCos, which are not expected to be materially leveraged (subject to a limit of 10% of Net Asset Value), corporate debt instruments from emerging markets (subject to a limit of 10% of Net Asset Value), and units and/or shares in collective investment schemes (subject to a limit of 10% of Net Asset Value) where such investment is consistent with the investment objective of the Fund.

The Fund will invest at least 50% of the Fund's total assets in fixed income instruments of companies that exhibit positive or improving environmental, social and governance (ESG) characteristics.

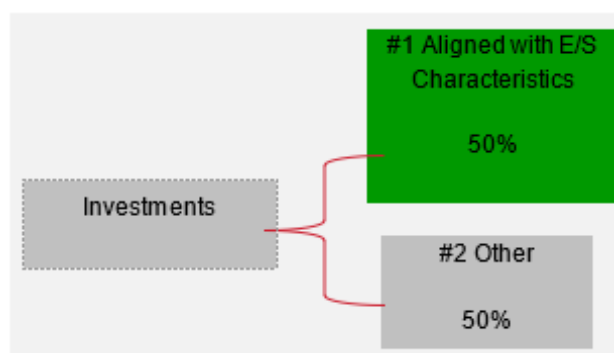
Companies that exhibit positive or improving ESG characteristics are selected through the Investment Manager's proprietary ESG scoring methodology, which is supported with the use of third party issuer-specific ESG data. When assessing an investment, the Investment Manager will utilise their direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers such as MSCI, Sustainalytics and Bloomberg ESG. This information and interaction allow thorough due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager examines the scores of the indicators to determine an issuer's ESG credentials over time and considers relevant impacts that may affect the scoring. Scoring indicators include environmental (resource intensity, environmental footprint, traceability), social (societal impacts of products and services, business ethics, employee satisfaction) and governance (effectiveness of management boards, credibility of auditing arrangements and accountability of management) assessments to screen companies where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers as detailed below. ESG ratings are compiled based on an analyst assessment and presented in investment underwriting memos. Issuers are assigned both a current state ESG score and an outlook rating for ESG for environmental, social, and governance categories. The current state ratings assess the current sustainability profile of the issuer relative to the investment universe. Outlook ratings analyse momentum of the company on ESG topics in comparison to sector ESG development. Investee companies will be considered as being "positive" if they have a higher current state rating. Investee companies will be considered as being "improving" if they have a moderate current state rating and an improving outlook rating. The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve issuer behaviour. Engagement activity is focused on key ESG credit risk areas for issuers and provision of relevant information. The Investment Manager incorporates these ESG factors into the investment process to identify issuers with strong fundamentals, favourable ESG scores, attractive valuations and sustainable business models. Further detail of the Investment Manager's ESG policy for the Fund is available on the Manager's website at www.barings.com.

The Investment Manager undertakes initial and ongoing due diligence of the corporate governance structure of issuers. This analysis is presented to investment committees and incorporated into the governance component of Barings' ESG ratings. The investment team assesses whether the governance structure is commensurate with the ownership structure of the business and analyses key governance risk factors on a case-by-case basis. Governance risks assessed can include company ownership, the board and management structures, legal and tax compliance, quality of reporting and audits, employee retention and relations, and staff remuneration. If a company is rated 5 (Unfavourable) under Barings' governance rating methodology it will be formally excluded for investment. The investment team tracks and monitors governance controversies and can take engagement action when they occur. An issuer with a low (but acceptable) governance score would also be tracked for commitments towards improvement over time as part of the internal ESG ratings process. The Fund is not expected to invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign (including its government, a public or local government of that country) which is rated sub-investment grade.

The Fund intends to limit the use of derivative instruments to (i) currency forward contracts to hedge currency risk, (ii) convertible bonds including CoCos and (iii) warrants for investment purposes.

PROPORTION OF INVESTMENTS

The Fund will invest at least 50% of its total assets in fixed income instruments of companies that exhibit positive or improving environmental, social and governance (ESG) characteristics, whilst the remaining 50% will be cash, cash equivalents, hedging instruments and in investments which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments. Derivatives are not used to attain the environmental or social characteristics promoted by the Fund.



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

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

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Fund is monitored each business day to ensure it continues to meet the minimum threshold of 50%. Where the Fund falls below this threshold, due to market movements or because the fixed income

instruments it holds no longer meet the criteria of exhibiting “positive or improving environmental, social and governance (ESG) characteristics”, the passive breach will be corrected at the earliest opportunity.

METHODOLOGIES

To ensure the above, issuers of the companies that the fund invests in are classified as either:

A company will be classified as having

POSITIVE ESG

by having an average combined ESG score of three or better and a minimum Governance/Management Quality score of four or better

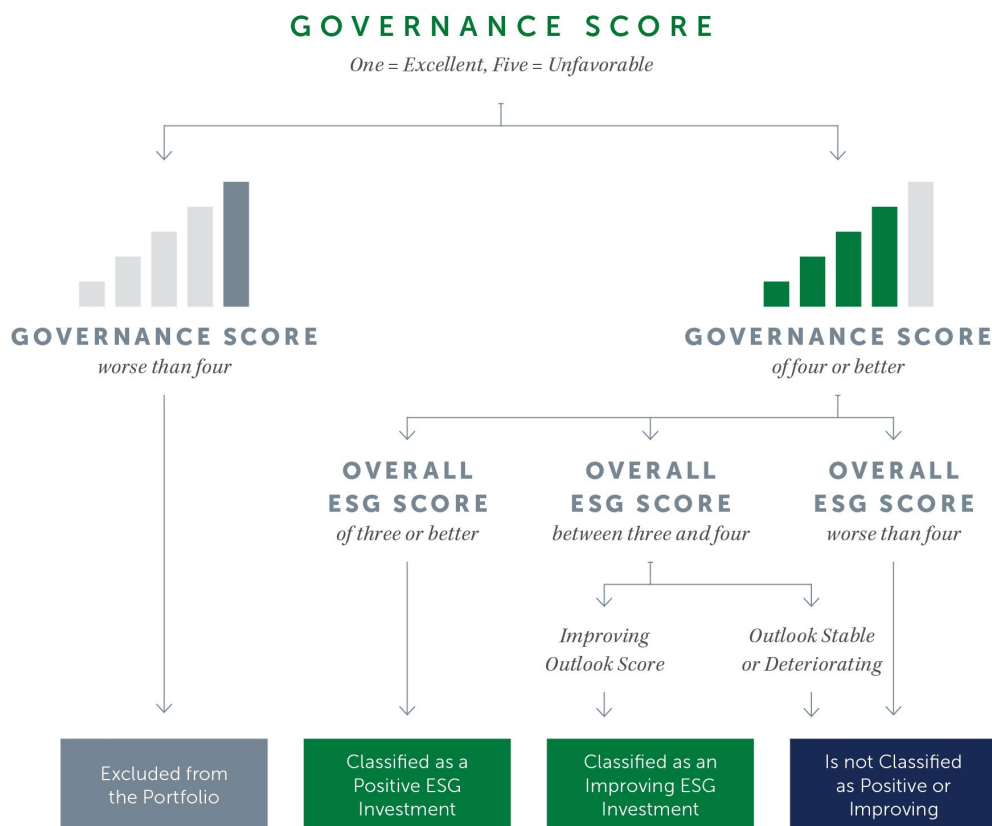
A company will be classified as demonstrating

IMPROVING ESG

by having an average combined ESG Score of four or better, a minimum Governance/Management Quality score of four or better and an improving ESG outlook

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

The graphic below illustrates how an individual asset would be classified based on these criteria given their internal ESG score.



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

When assessing an investment, the Investment Manager will utilise their direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers such as MSCI, Sustainalytics and Bloomberg ESG. This information and interaction allow thorough due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager examines the scores of the indicators to determine an issuer's ESG credentials over time and considers relevant impacts that may affect the scoring. Scoring indicators include environmental (resource intensity, environmental footprint, traceability), social (societal impacts of products and services, business ethics, employee satisfaction) and governance (ownership structure, effectiveness of management boards, credibility of auditing arrangements and accountability of management) assessments to screen companies where ESG standards are positive or improving.

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

Issuers are assigned a 1–5 (excellent to unfavourable) current state ESG rating and a 1–3 (Improving to Deteriorating) ESG outlook rating for environmental, social, and governance categories. The current state ratings assess the current sustainability profile of the issuer relative to the investment universe. Outlook ratings analyse momentum of the company on ESG topics in comparison to sector ESG development. The 1–5 environmental, social and governance ratings are aggregated based on sector weightings to give an overall ESG rating.

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

The Investment Manager incorporates these ESG factors into the investment process to identify issuers with strong fundamentals, favourable ESG scores, attractive valuations and sustainable business models.

DATA SOURCES AND PROCESSING

Our investment decisions are based on internal research, which encompass both our proprietary financial underwriting and ESG assessment. Furthermore, the investment professional responsible for evaluating and valuing a fixed income instrument is also responsible for its ESG assessment and forms an integral part of our analysis. External sources of research/data typically from the issuer are utilized to understand market consensus and gather data but often research availability can be limited. To supplement our own ESG research, our team also has access to third-party resources such as Bloomberg ESG, MSCI and Sustainalytics, which provide institutional investors with issuer-specific ESG data.

The Investment Manager reviews ESG ratings. On a quarterly and/or semi-annual basis, the investment manager will re-affirm ESG ratings based on our proprietary, fundamental underwriting and ESG assessments. Any usual engagements may also contribute to an update to the underwriting process and scores and are reviewed to ensure proper alignment with ESG ratings.

The investment Manager processes/captures each issuer's underwriting conclusion into a database together with the proprietary ESG scores based on our internal methodology. As mentioned above, the data is reviewed and re-affirmed quarterly or semi-annually.

No data is estimated.

LIMITATIONS TO METHODOLOGIES AND DATA

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

Our investment decisions are based on internal research, which encompass both our proprietary financial forecasts and ESG assessment. We aim to meet with all companies in which we seek to invest at least annually and discuss a range of topics including ESG issues with management. The investment professional responsible for evaluating the company is also responsible for its ESG assessment: this is an integral part of our analysis.

DUE DILIGENCE

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

ENGAGEMENT POLICIES

The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve issuer disclosure or behaviour. Engagement activity is focused on key environmental and social risk areas for issuers and provision of relevant information. This includes areas such as the provision of emissions data, use of science based targets and adherence to

targets. Escalation on unsuccessful engagements can take the form of adjustments to environmental or social ratings, removal of the issuer from the approved buy list by investment committees and divestment. The Investment Managers does track accountability of company engagement and records these engagements in a proprietary system.

DESIGNATED REFERENCE BENCHMARK

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