

Barings Global Loan Fund

SUMMARY

The Barings Global Loan Fund (the “Fund”) will seek to achieve its investment objective by investing primarily in senior secured loans and, to a lesser extent, senior secured bonds issued by North American and European issuers (including those debt instruments issued by issuing entities based in offshore centres, such as the Channel Islands, Cayman Islands, Bermuda, and other offshore jurisdictions).

The U.S. and European primary and secondary loan markets are “over-the-counter” markets with established standardised trading and settlement procedures, including template debt trading documents, established by industry associations, such as the Loan Syndication Trading Association and the Loan Market Association. Industry associations may disseminate secondary price information on loan assets based on prices gathered from market participants. In addition to valuation surveys, prices may be obtained from third party, independent data vendors who supply pricing and valuation services. Individual quotes on loan assets may also be obtained from market participants that have dedicated resources for secondary trading.

The debt instruments in which the Fund invests are generally expected to be rated sub-investment grade or unrated. Sub-investment grade means an instrument rated at the time of investment below BBB- by Standard & Poor’s (“S&P”) or below Baa3 by Moody’s Investors Services, Inc. (“Moody’s”). A portion of the loan market in Europe remains largely unrated by the main rating agencies (Moody’s, S&P and Fitch Ratings) though their coverage is increasing.

The Fund’s debt investments will primarily be in senior secured loans (including assignments and participations) and to a lesser extent in senior secured bonds, but may also include second lien loans, senior unsecured and subordinated loans, senior and subordinated corporate debt obligations (such as bonds, debentures, notes and commercial paper), convertible debt obligations, preferred stock, and repurchase agreements.

The Fund may also use certain active currency, credit and interest rate management techniques related to the currency, credit and interest rate risks associated with the investments held by it in an effort to increase total return or in connection with hedging arrangements.

The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental (“E”) and/or social (“S”) characteristics.

Issuers that exhibit positive or improving ESG characteristics are selected through the Investment Manager’s proprietary ESG scoring methodology, which is supported with the use of third party issuer-specific ESG data where coverage allows. When assessing an investment, the Investment Manager will utilise its access to management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager analyses an issuer’s ESG credentials over time and consider relevant shocks that may impact the scoring. Topics considered include environmental (may encompass resource intensity, environmental footprint, traceability) social (societal impacts of products and services, business ethics, employee satisfaction,

amongst others) and governance (may encompass effectiveness of management boards, credibility of auditing arrangements and accountability of management) to assess and screen issuers where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG scores are compiled based on an analyst assessment and presented in investment underwriting memos. Issuers are assigned both an ESG current state score and an ESG outlook score for ESG categories. The ESG current state score assess the current sustainability profile of the issuer relative to the investment universe. ESG outlook scores analyse momentum of the issuer on ESG topics in comparison to sector ESG development. Issuers will be considered as being “positive” if they have a better ESG current state score. Issuers will be considered as being “improving” if they have a moderate ESG current state score and an improving outlook score.

The Investment Manager adopts an active management policy in relation to ESG topics and have a preference to focus on engagement to improve material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas.

The Fund is monitored to ensure it continues to meet the minimum 50% threshold. Where the Investment Manager determines that a holding in the Fund's portfolio does not meet its good governance criteria, the Investment Manager will engage with the relevant issuer in order to seek to bring it into compliance. If engagement with the relevant issuer is not deemed appropriate or engagement subsequently proves unsuccessful, the Investment Manager will consider its position and shall, if necessary and to the extent possible based upon market conditions and any specific investment considerations, attempt to divest the holding from the Fund.

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

NO SUSTAINABLE INVESTMENT OBJECTIVE

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

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental ("E") and/or social ("S") characteristics.

The E and S current state score of an asset, (methodology discussed further below), are established by the Investment Manager using a proprietary industry-based scoring technique. The Investment Manager's consideration of factors when deriving a score is based on financial materiality and will encompass a number of E or S characteristics. Further information regarding the methodology is outlined below.

INVESTMENT STRATEGY

The Fund will seek to achieve its investment objective by investing primarily in senior secured loans and, to a lesser extent, senior secured bonds issued by North American and European issuers (including those debt instruments issued by issuing entities based in offshore centres, such as the Channel Islands, Cayman Islands, Bermuda, and other offshore jurisdictions).

The U.S. and European primary and secondary loan markets are “over-the-counter” markets with established standardised trading and settlement procedures, including template debt trading documents, established by industry associations, such as the Loan Syndication Trading Association and the Loan Market Association. Industry associations may disseminate secondary price information on loan assets based on prices gathered from market participants. In addition to valuation surveys, prices may be obtained from third party, independent data vendors who supply pricing and valuation services. Individual quotes on loan assets may also be obtained from market participants that have dedicated resources for secondary trading.

The debt instruments in which the Fund invests are generally expected to be rated sub-investment grade or unrated. Sub-investment grade means an instrument rated at the time of investment below BBB- by Standard & Poor’s (“S&P”) or below Baa3 by Moody’s Investors Services, Inc. (“Moody’s”). A portion of the loan market in Europe remains largely unrated by the main rating agencies (Moody’s, S&P and Fitch Ratings) though their coverage is increasing.

The Fund’s debt investments will primarily be in senior secured loans (including assignments and participations) and to a lesser extent in senior secured bonds, but may also include second lien loans, senior unsecured and subordinated loans, senior and subordinated corporate debt obligations (such as bonds, debentures, notes and commercial paper), convertible debt obligations, preferred stock, and repurchase agreements.

The Fund may also use certain active currency, credit and interest rate management techniques related to the currency, credit and interest rate risks associated with the investments held by it in an effort to increase total return or in connection with hedging arrangements.

The Fund is categorised as an Article 8 fund under the Sustainable Finance Disclosure Regulation. The Fund will invest at least 50% of its Net Asset Value in assets which exhibit positive or improving environmental and/or social characteristics.

Issuers that exhibit positive or improving ESG characteristics are selected through the Investment Manager’s proprietary ESG scoring methodology, which is supported with the use of third party issuer-specific ESG data where coverage allows. When assessing an investment, the Investment Manager will utilise its access to management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager analyses an issuer’s ESG credentials over time and consider relevant shocks that may impact the scoring. Topics considered include environmental (may encompass resource intensity, environmental footprint, traceability) social (societal impacts of products and services, business ethics, employee satisfaction, amongst others) and governance (may encompass effectiveness of management boards, credibility of auditing arrangements and accountability of management) to assess and screen issuers where ESG standards are positive or improving.

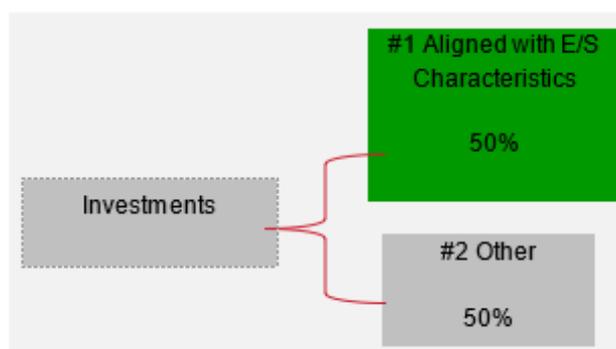
The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG scores are compiled based on an analyst assessment and presented to investment committees in investment

underwriting memos. Issuers are assigned both an ESG current state score and an ESG outlook score for ESG for environmental, social, and governance categories. The ESG current state score assess the current sustainability profile of the issuer relative to the investment universe. ESG outlook scores analyse momentum of the issuer on ESG topics in comparison to sector ESG development. Issuers will be considered as being “positive” if they have an overall ESG current state score that is average or better on the scoring scale. Issuers will be considered as being “positive” if they have a better ESG current state score. Issuers will be considered as being “improving” if they have a moderate ESG current state score and an improving outlook score.

The Investment Manager adopts an active management policy in relation to ESG topics and have a preference to focus on engagement to improve material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas.

PROPORTION OF INVESTMENTS

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



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

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

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Fund is monitored to ensure it continues to meet the minimum 50% threshold. Where the Fund falls below this threshold, due to market movements or because the fixed income instruments it holds no longer meet the criteria of 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 that the Fund invests in are classified as either:

A company will be classified as having

POSITIVE ESG

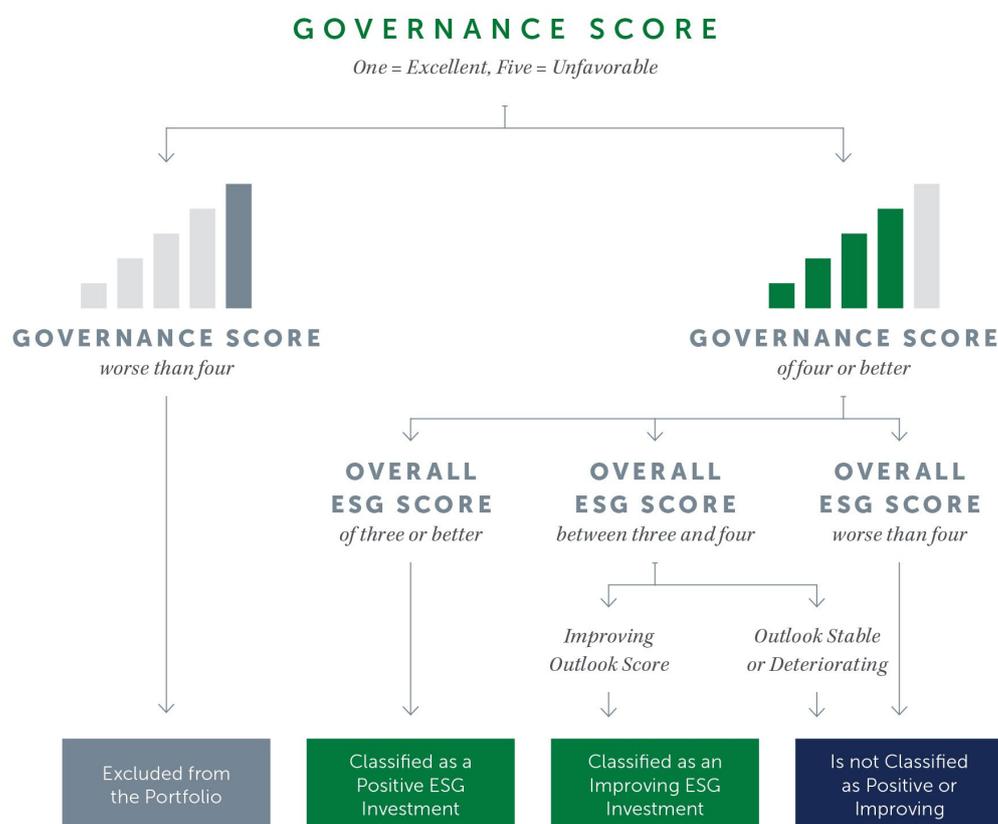
by having an average combined ESG score of three or better and a minimum Governance/Management Quality score of four or better

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 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 its direct access to senior management and financial sponsors in addition to information published by issuers and through access to third party ESG research providers. This information and interaction 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 issuers where ESG standards are positive or improving.

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

The 1–5 ESG current state scores are aggregated based on sector weightings to give an overall 1-5 ESG Current State Score. Issuers will be considered as being “positive” if they have an overall ESG Current State Score that is average or better on the scoring scale. Issuers will be considered as being “improving” if they have an overall ESG Current State Score that is below average and an improving Outlook Score. The Investment Manager adopts an active management policy in relation to ESG topics and has a preference to focus on engagement to improve 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

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

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

The Investment Manager processes/captures each issuer's underwriting conclusion into a database together with the proprietary ESG scores based on its internal methodology.

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 issuer data, issuer engagements and third party data which may or may not be complete. Data source limitations may exist if Barings is investing in issuers where third party vendors do not provide data or issuer data is not frequent or up to date.

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

DUE DILIGENCE

Issuers are selected for the ESG profile according to the Investment Manager's proprietary ESG scoring methodology. When assessing an investment, the Investment Manager will utilise its 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 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 issuers where ESG standards are positive or improving. The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG ratings are compiled based on an analyst assessment.

ENGAGEMENT POLICIES

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

DESIGNATED REFERENCE BENCHMARK

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