

Barings Active Short Duration Fund

SUMMARY

The investment objective of Barings Active Short Duration Fund (the "Fund") is to seek a maximum total rate of return primarily from current income, while minimising fluctuations in capital values, by investing in short-term Investment Grade fixed income securities.

The "total return" sought by the Fund consists of current income and capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals.

To achieve its investment objective, the Fund will invest primarily in an actively managed diversified portfolio of fixed income instruments which are listed or traded on Recognised Markets in North America and Europe. The fixed income instruments in which the Fund invests may include instruments issued by the US Treasury, US Government Agencies, US Government Sponsored Enterprise ("GSE"), US Local, City and State Governments and Agencies and USD denominated fixed income instruments issued by US and non-US corporations, non-US Governments, and supranational entities. The fixed income instruments shall include bonds, notes, debentures, treasury obligations, sovereign issues, covered bonds, convertible instruments which are not expected to be materially leveraged, convertible bonds including CoCos which are subject to a limit of 5% of Net Asset Value, commercial paper, certificates of deposit, banker acceptances and other fixed and floating rate income securities. Convertible instruments mean convertible bonds including CoCos, mandatory convertible bonds, convertible preferred stock, equity linked notes and other fixed and floating rate instruments. Exposure to such issuers may be achieved through direct investment or entirely through the use of FDI. The Fund may also invest in interest rates and global currencies (such as Euro, US Dollar, Sterling) through the use of FDI for both investment and hedging purposes as described in the sub-sections above entitled "Efficient Portfolio Management Techniques" and "Use of Derivatives". The fixed income instruments set out above in which the Fund may invest may comprise of mortgage-backed securities ("MBS"), collateralised mortgage obligations ("CMOs"), commercial mortgage-backed securities ("CMBS"), asset-backed securities ("ABS") and residential mortgage back securities ("RMBS"). Money market instruments are also eligible investments for the Fund and should be considered any of the following instruments which have a maturity of less than 365 days: treasury securities, agency securities, commercial paper, asset backed commercial paper, corporate bonds and medium term notes, certificates of deposit and banker acceptances.

The Investment Manager will select individual investments based on an analysis of the value of the relevant investments as compared to other similar investments within the identified industry sectors and geographies which offer the best risk to reward opportunities. The Investment Manager determines where favourable value exists based on fundamental, bottom up analysis and assesses this value on a relative basis to other investment alternatives. There is a thorough issue analysis, with particular attention paid to cash flows and capital structure. The Investment Manager reviews country risk through macroeconomic health and political stability or unrest. Throughout macroeconomic and credit cycles, debt issued by corporations that are domiciled within, or have economic interests tied to certain countries will outperform or underperform. The Investment Manager will look to identify these scenarios. The focus is to ensure that the Fund is well diversified across asset class sectors, industries and geographies. The Investment Manager will invest in sectors and industries that have improving fundamentals and/or represent value relative within the global

fixed income universe and reduce allocations to sectors and industries that have little value or have deteriorating fundamentals.

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 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. 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. Investee issuers will be considered as being "positive" if they have 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 has a preference to focus on engagement to improve material issuer transparency and behavior. 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 fundamental underwriting and ESG assessment. Furthermore, the investment professionals responsible for evaluating and valuing a fixed income instrument are also responsible for its ESG assessment and form 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 and/or social 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 any number of E or S characteristics. Further information regarding the methodology is outlined below.

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

INVESTMENT STRATEGY

The investment objective of the Fund is to seek a maximum total rate of return primarily from current income, while minimising fluctuations in capital values, by investing in short-term Investment Grade fixed income securities.

The "total return" sought by the Fund consists of current income and capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals.

To achieve its objective, the Fund will invest primarily in an actively managed diversified portfolio of fixed income instruments which are listed or traded on Recognised Markets in North America and Europe. The fixed income instruments in which the Fund invests may include instruments issued by the US Treasury, US Government Agencies, US Government Sponsored Enterprise ("GSE"), US Local, City and State Governments and Agencies and USD denominated fixed income instruments issued by US and non-US corporations, non-US Governments and supranational entities. The fixed income instruments shall include bonds, notes, debentures, treasury obligations, sovereign issues, covered bonds, convertible instruments which are not expected to be materially leveraged, convertible bonds including CoCos which are subject to a limit of 5% of Net Asset Value, commercial paper, certificates of deposit, banker acceptances and other fixed and floating rate income securities. Convertible instruments mean convertible bonds including CoCos, mandatory convertible bonds, convertible preferred stock, equity linked notes and other fixed and floating rate instruments. Exposure to such issuers may be achieved through direct investment or entirely through the use of FDI. The Fund may also invest in interest rates and global currencies (such as Euro, US Dollar, Sterling) through the use of FDI for both investment and hedging purposes as described in the sub-sections

above entitled “Efficient Portfolio Management Techniques” and “Use of Derivatives”. The fixed income instruments set out above in which the Fund may invest may comprise of mortgage-backed securities (“MBS”), collateralised mortgage obligations (“CMOs”), commercial mortgage-backed securities (“CMBS”), asset-backed securities (“ABS”) and residential mortgage back securities (“RMBS”).” Money market instruments are also eligible investments for the Fund and should be considered any of the following instruments which have a maturity of less than 365 days: treasury securities, agency securities, commercial paper, asset backed commercial paper, corporate bonds and medium term notes, certificates of deposit and banker acceptances.

The Fund may also hold credit linked notes to meet its investment objectives. Credit linked notes may embed credit default swaps. The underlying credit exposure will be consistent with the Fund’s investment objective and policies.

The Fund may also hold non-USD denominated eligible assets. The Fund will generally seek to substantially hedge the currency exposure to USD arising from these non-USD assets.

The Fund may engage in transactions in FDI principally for investment and/or for hedging purposes subject to the limits laid down by the Central Bank. Such derivatives will provide exposure to the asset classes detailed in the Fund’s investment policy. Such transactions may leverage the Fund and may establish speculative positions. This may result in a higher level of volatility and risk.

The Fund seeks broad diversification by market sector, industry, and issuer. At the time of purchase, other than U.S. Treasuries (public organisation of the U.S. Treasury) and U.S. Agency debt (U.S. Agency Debentures, publicly issued debt of U.S. Government agencies including MBS, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government), net credit exposure to any single issuer, or issuing trust of structured securities (such as ABS or MBS), will not represent more than 5% of the Net Asset Value of the Fund.

The Investment Manager will select individual investments based on an analysis of the value of the relevant investments as compared to other similar investments within the identified industry sectors and geographies which offer the best risk to reward opportunities. The Investment Manager determines where favourable value exists based on fundamental, bottom up analysis and assesses this value on a relative basis to other investment alternatives. There is a thorough issue analysis, with particular attention paid to cash flows and capital structure. The Investment Manager reviews country risk through macroeconomic health and political stability or unrest. Throughout macroeconomic and credit cycles, debt issued by corporations that are domiciled within, or have economic interests tied to certain countries will outperform or underperform. The Investment Manager will look to identify these scenarios. The focus is to ensure that the Fund is well diversified across asset class sectors, industries and geographies. The Investment Manager will invest in sectors and industries that have improving fundamentals and/or represent value relative within the global fixed income universe and reduce allocations to sectors and industries that have little value or have deteriorating fundamentals.

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 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. 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 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 average portfolio duration of the Fund varies based on the Investment Manager's forecast for interest rates and, under normal market conditions, is expected to range between 0 and 3 years.

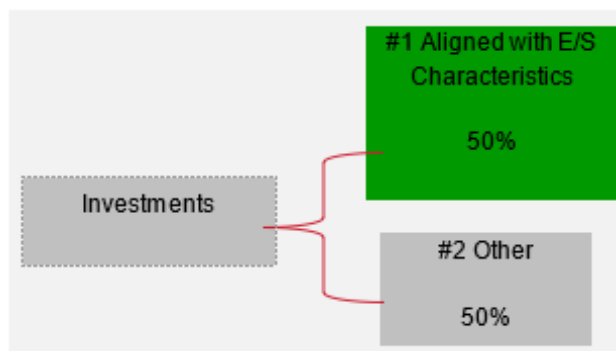
The Fund will invest primarily in Investment Grade instruments, however it may also invest a maximum of 10% of its Net Asset Value in securities rated below Investment Grade subject to these instruments being rated BB- or higher by Standard & Poor's or the equivalent rating of another internationally recognised rating agency.

Where an eligible investment is split-rated, the higher quality rating will apply in order to determine eligibility for the Fund. Where an eligible investment is not rated by an internationally recognised rating agency, the Investment Manager may determine its own assessment of credit quality and assign an agency equivalent rating to the asset. In the case of new issuance expected ratings may be used and further issuer level ratings may be applied if available where security issue level ratings are unavailable. Subordinated issuer level ratings may also be used for unrated subordinated instruments.

The Fund may invest in 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.

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 each business day to ensure it continues to meet the minimum 50% threshold. Where the Fund falls below this threshold, due to market movements or because the fixed income instruments it holds no longer meet the criteria of a "Positive ESG" investment, 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 **OR** **IMPROVING ESG**

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

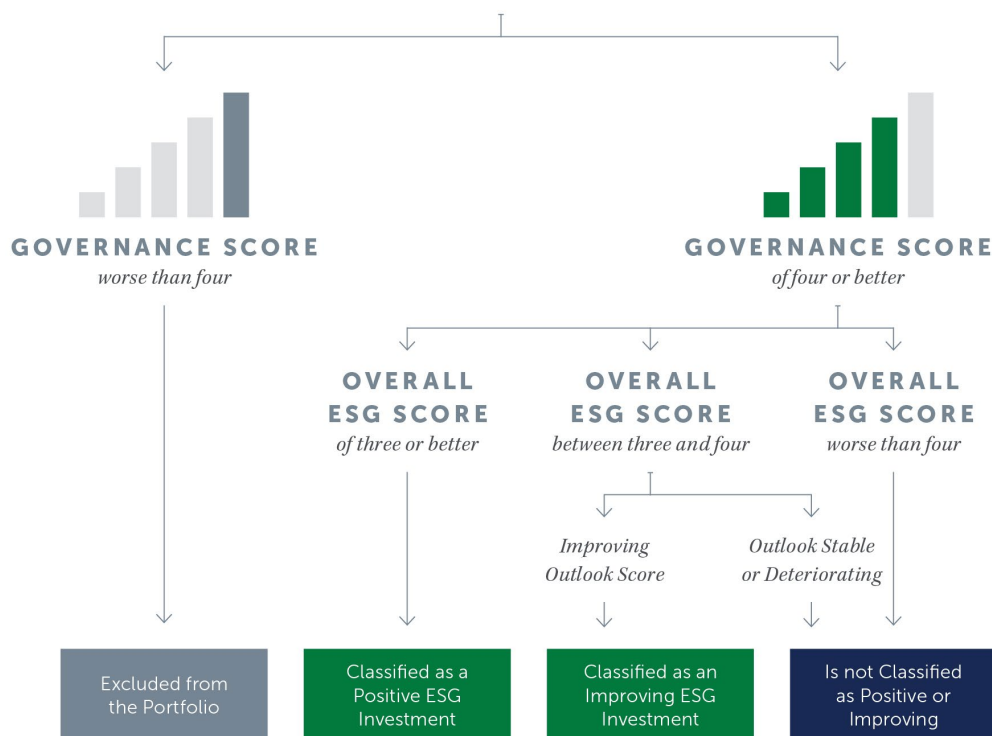
A company will be classified as demonstrating

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".

GOVERNANCE SCORE

One = Excellent, Five = Unfavorable



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, where coverage allows. This information and interaction enable due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager analyses issuer's ESG credentials over time and consider relevant shocks that may impact the scoring. Scoring indicators include environmental (may encompass resource intensity, environmental footprint, traceability), social (societal impacts of products and services, business ethics, employee satisfaction, amongst others) and governance (may encompass ownership structure, effectiveness of management boards, credibility of auditing arrangements and accountability of management,) to assess screen issuers where ESG standards are positive or improving.

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

The 1–5 ESG current state scores are aggregated based on sector weightings to give an overall 1-5 ESG current state score. Issuers will be considered as being “positive” if they have an overall ESG current state score 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 material issuer transparency and behaviour. Engagement activity may be focused on key ESG credit risk areas. This includes areas such as the provision of emissions data and reduction targets. Escalation on unsuccessful engagements can take the form of adjustments to ESG 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.

DATA SOURCES AND PROCESSING

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

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

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

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 companies where third-party vendors do not provide data or issuer data is not frequent or up to date.

The Investment Manager's investment decisions are based on internal research, which encompass both its proprietary fundamental underwriting and ESG assessment. The Investment Manager aims to meet with all issuers in which it seeks to invest at least annually and discuss a range of topics including ESG issues with management. The investment professionals responsible for evaluating issuers are also responsible for 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 their direct access to

management, banking group and financial sponsors in addition to information published by issuers. The team also seeks to understand market consensus on ESG profile of each issuer, through its access to third party ESG research providers. This information and interaction allow thorough due diligence to be undertaken on the ESG risk profile of an issuer. For each asset, the Investment Manager examines the scores of the indicators to determine an issuer's ESG credentials and also considers a momentum indicator scoring which captures relevant shocks that may impact the scoring in the future. Scoring indicators include environmental (resource intensity, environmental footprint, 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.

ENGAGEMENT POLICIES

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

DESIGNATED REFERENCE BENCHMARK

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