

Barings U.S High Yield Bond Fund

SUMMARY

Barings U.S High Yield (the “Fund”) will invest principally in a portfolio of high yield fixed and floating rate corporate debt instruments, focusing primarily on North American high yield instruments which are listed or traded on recognised markets in 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 US Dollar by issuers outside North America, 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 5% 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 Investment Manager employs a credit research process that first emphasises a thorough analysis of fundamentals to determine a specific issuer’s financial strength, among other things, before considering sector or industry or macro-economic factors. The Investment Manager will select credits of issuers which possess one or more of the following characteristics: strong business position; ability to generate free cash flow to repay debt; favourable capital structure; high level of fixed assets; conservative accounting; and/or respected management or equity sponsor.

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 investment objective of the Fund is to provide high current income generation and, where appropriate, capital appreciation.

The Fund will invest principally in a portfolio of high yield fixed and floating rate corporate debt instruments, focusing primarily on North American high yield instruments which are listed or traded on recognised markets in 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 US Dollar by issuers outside North America, 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 5% 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 Investment Manager employs a credit research process that first emphasises a thorough analysis of fundamentals to determine a specific issuer's financial strength, among other things, before considering sector or industry or macro-economic factors. The Investment Manager will select credits of issuers which possess one or more of the following characteristics: strong business position; ability to generate free cash flow to repay debt; favourable capital structure; high level of fixed assets; conservative accounting; and/or respected management or equity sponsor.

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.

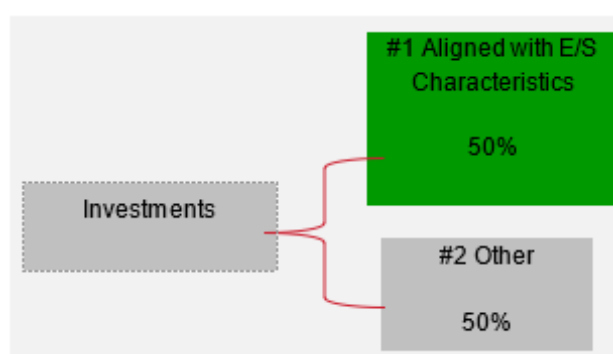
The Investment Manager undertakes ESG scoring of issuers that are owned or being monitored. ESG scores are compiled based on an analyst assessment and presented to investment committees in investment underwriting memos. Issuers are assigned both an ESG current state score and an ESG outlook score for 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.

The Fund intends to limit the use of derivative instruments to (i) currency forward contracts to hedge currency risk on classes of shares designated in a currency other than the base currency of the Fund and (ii) convertible bonds including CoCos for investment purposes. However, the Fund will not use derivative instruments extensively for investment (i.e. non-hedging) purposes.

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

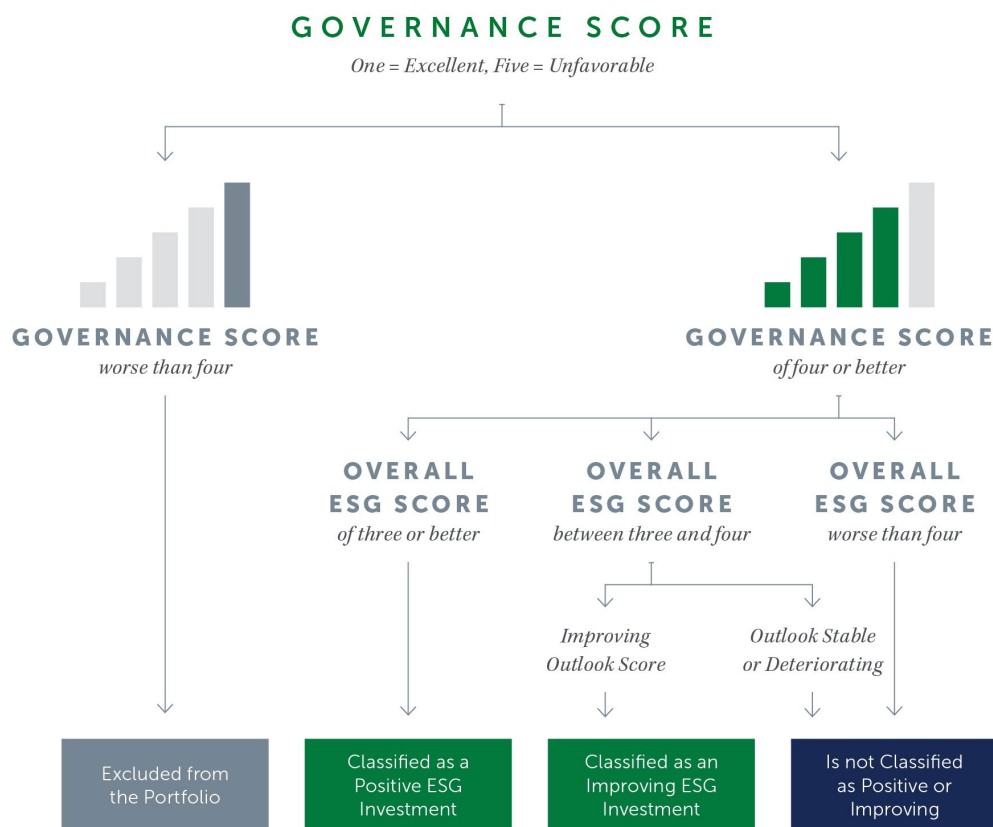
OR

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 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.