BARINGS CONVERSATIONS

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A GLOBAL APPROACH TO HIGH YIELD INVESTING

THE GLOBAL HIGH YIELD MARKET HAS GROWN STEADILY OVER THE PAST DECADE, OFFERING ACTIVE MANAGERS AN INCREASINGLY BROAD OPPORTUNITY SET FROM WHICH TO SEEK RELATIVE VALUE. IN RECENT YEARS, INTEREST IN THE ASSET CLASS HAS BEEN DRIVEN IN PART BY INVESTORS SEEKING HIGHER YIELDS AND RETURNS AMID A PROLONGED PERIOD OF LOW INTEREST RATES AROUND THE GLOBE. BUT THE INTEREST RATE LANDSCAPE IS CHANGING, AND AS INVESTORS LOOK AHEAD TO DIVERGING MONETARY POLICIES MANY ARE QUESTIONING HOW HIGH YIELD BONDS WILL FACTOR INTO THEIR PORTFOLIO ALLOCATIONS.

HISTORICALLY, THE ASSET CLASS HAS DELIVERED ATTRACTIVE RETURNS THROUGH VARYING ECONOMIC AND INTEREST RATE CYCLES, PRESENTING OPPORTUNITIES FOR ACTIVE, EXPERIENCED MANAGERS TO ADD RISK WHEN APPROPRIATE RETURNS ARE AVAILABLE AND MANAGE RISK WHEN CONDITIONS ARE UNFAVORABLE. FROM A RELATIVE VALUE PERSPECTIVE, WE SEE POTENTIAL BENEFITS FOR INVESTORS WILLING TO DIVERSIFY THEIR EXPOSURE TO EUROPE—A HIGHER QUALITY AND SLIGHTLY SHORTER-DATED MARKET THAN THE U.S.

SEAN FEELEY
MANAGING DIRECTOR
U.S. HIGH YIELD INVESTMENTS

CHRIS SAWYER
MANAGING DIRECTOR
EUROPEAN HIGH YIELD INVESTMENTS

How can taking a global approach to high yield investing—versus U.S.-only—benefit investors?

SEAN: In our view, the overarching benefit of a global strategy is that it can give investors access to a much wider and more diverse universe of credits than a U.S.-only strategy. At Barings, our global high yield strategy isn't limited to one market—we build our global portfolio out of our best ideas across the U.S. and Europe.

CHRIS: The global high yield market, and Europe in particular, has also deepened significantly in terms of industry and issuer diversification. Today, the U.S. and European high yield markets exhibit very different sector distributions. In the U.S., for instance, the largest sector is energy, while in Europe sectors such as telecoms are more prevalent. I would also point out that even when there is some overlap between the respective markets in a particular sector—for instance, retail—you are still looking at two very different end markets. For example, the U.S. retail sector currently faces a number of challenges, such as excess square footage and the continued growth of internet shopping, while the factors impacting European retail are not necessarily the same. Within Europe itself, the issues facing a particular sector can differ from country to country as well.

SEAN: A global approach also gives investors access to a larger opportunity set from which to seek relative value as the underlying attractiveness of each region's high yield market changes. Relative value tends to be influenced by factors like interest rate expectations and geopolitics that sometimes have little effect on the underlying health of an issuing company. These factors can cause short-term dislocations, or instances in which prices decouple from underlying fundamental value, giving nimble managers a chance to capitalize on overvalued or undervalued credits.

Can you give an example of a past market dislocation that ultimately led to an attractive buying opportunity?

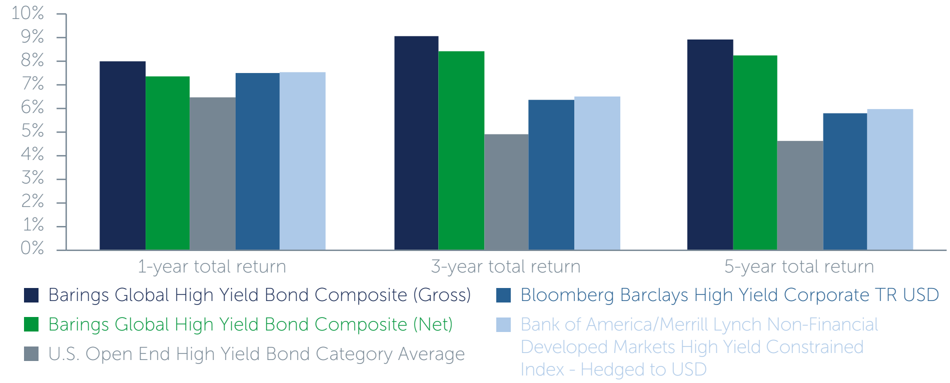
SEAN: One example of this was the energy selloff in 2015. The U.S. high yield bond market, with greater exposure to energy than the European market, greatly underperformed as spreads significantly widened. Europe, on the other hand, was largely insulated from that volatility, partly because of its lower exposure to energy. Managers with depth and presence across these markets were able to capitalize on the dislocation in the U.S. market, and those who increased their exposure to U.S. high yield bonds ultimately benefitted a year later when U.S. bonds went on to outperform the other high yield sub asset classes.

What are some characteristics that make European high yield markets particularly attractive?

CHRIS: Up until 2009, for many high yield investors, the go-to option was the U.S. market. However, since that time, the European high yield bond market has quadrupled in size, making it a much more material component of the global high yield bond market. With that growth, international businesses have more than just U.S. markets to tap for credit and, as a result, high yield investors have a much broader set of investment opportunities. Therefore, for investors who view high yield as a strategic allocation within their portfolio, it makes sense to think global. And at Barings, that means investing in high yield bonds and loans, in both the U.S. and developed Europe.

A holistic look at the high yield markets can also allow managers to identify opportunities more effectively. For example, within Europe, we currently see value in the single B-rated portion of the market, which has the potential to offer excess return with shorter duration than the overall U.S. market. If interest rate risk is a concern for an investor, this subset of the European market could be an attractive investment option.

HOW BARINGS' GLOBAL HIGH YIELD STRATEGY STACKS UP



SOURCE: *BLOOMBERG/BARCLAYS AND MORNINGSTAR. AS OF DECEMBER 31, 2017. PLEASE SEE GIPS DISCLOSURE AT END FOR MORE INFORMATION.*
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

In recent years, secured issuance in the European high yield bond market has outpaced that in the U.S., resulting in the European market having a greater percentage of senior secured bonds, which are higher in the capital structure. Today, with high yield default rates below historical averages, some investors may not see the value in giving up a marginal amount of yield for senior secured status. However, at Barings, we like the downside protection potential of secured debt as we focus on the fundamental risks associated with an individual issuer, and not just the potential returns of an investment.

What are some of the reasons investors should consider global managers like Barings?

SEAN: Because many companies now issue debt outside of their own country, or issue debt in multiple regions at very different prices, local, on-the-ground expertise is critical to uncovering the most attractive opportunities across global high yield markets. For example, when a European company issues debt in the U.S., managers like Barings, who have experienced and well-resourced investment teams in Europe, have the ability to evaluate the credit more effectively.

CHRIS: We see the value of that local knowledge time and again. For example, one of the best-performing names in our portfolios in 2017 was a German retailer. It's hard to uncover those opportunities without the knowledge base of our team, which consists of more than 70 dedicated, high yield investment professionals across the U.S. and Europe. The size of our team means our analysts cover fewer credits, allowing them to dig deep into each individual issuer. We believe this breadth differentiates us, enabling us not only to pursue the best credits but also to constantly monitor the issuers we invest in. That knowledge base can also prove to be an important benefit when a company transitions from issuing bonds to loans, or vice versa. I can immediately think of two European companies—one in France, one in Italy—that have gone from issuing only European loans to issuing a mixture of European loans and bonds, to now including U.S. bonds. Since Barings is active in both bonds and loans, monitoring such companies as they shifted their debt strategy was not a challenge, compared with a manager that only knows the bond or loan market, and maybe only in one jurisdiction.

SEAN: Our long-term track record in managing both U.S. and European credit and our presence in both regions gives us the flexibility to move fluidly between the two markets. Our global teams are in constant communication, which we believe puts us in a good position to identify and capitalize on relative value opportunities as they arise across geographies. The bottom line is that while the global high yield opportunity set is significant and continues to grow, in order to efficiently and successfully evaluate and access all the asset class has to offer, an integrated global team with the right level of resources and experience is critical.

Barings Investment Grade CLO Strategy Composite

Reporting Currency: USD
Schedule of Performance Results

Date	Annual Return Gross of Advisory Fees	Annual Return Net of Advisory Fees	Benchmark BofA/Merrill Lynch Global Non-Financial DM HY Index	Asset-Weighted Dispersion	3- Year Annualized Std Dev. (Composite)	3- Year Annualized Std Dev. (Benchmark)	Total Aggregate Assets at End of Period (USD$ MM)	Total Firm Assets at End of Period (USD$ MM)	Percentage of Firm Assets	# of Portfolios at End of Period
12/31/17	7.99%	7.34%	7.53%	NM	3.99%	5.43%	1,167	284,789	0.4%	<=5
12/31/16	14.31%	13.62%	16.92%	NM	4.53%	5.75%	700	178,724	0.4%	<=5
12/31/15	5.10%	4.47%	-3.89%	NM	4.55%	4.96%	211	163,934	0.1%	<=5
12/31/14	3.27%	2.65%	2.81%	NM	N/A	N/A	43	157,257	0.0%	<=5
12/31/13	14.33%	13.65%	7.64%	NM	N/A	N/A	49	142,832	0.0%	<=5
12/31/2012^	13.69%	13.29%	10.56%	NM	N/A	N/A	39	116,633	0.0%	<=5

NM The asset-weighted dispersion deviation of five or fewer portfolios or periods of less than a year is not meaningful.
<=5 Five or fewer portfolios.
^ Returns from composite inception date of June 1, 2012 to December 31, 2012.
** In the second quarter of 2014, the composite name was changed from Global High Yield Bond to Global High Yield Fixed Income.

COMPLIANCE STATEMENT:
Barings, fka Babson Capital Management LLC, claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Barings has been independently verified for the periods 1993-2016 as Babson Capital Management LLC. See firm definition for further information.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Global High Yield Fixed Income composite has been examined for the periods of 2014–2016. The verification and performance examination reports are available upon request.

DEFINITION OF THE FIRM:
Barings, "Firm", provides investment management and advisory services to both institutional and individual clients. For purposes of compliance with the Global Investment Performance Standards (GIPS®), the Firm defines itself as consisting of the portfolios that it manages directly. In 2017, the previous subsidiaries of Babson Capital Management, "Babson", including Babson, were consolidated under the Barings name for GIPS purposes. Those entities included Babson Capital Management LLC, Cornerstone Real Estate Advisers LLC, Barings Asset Management Limited, and Wood Creek Capital Management LLC. In 2017, the firm assets represent the consolidated entity. A list of the Firm's composite descriptions is available upon request.

POLICIES:
The Firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

COMPOSITE DESCRIPTION:
The investment objective of the total rate of return vehicles included in this composite is to provide high current income generation and, where appropriate, capital appreciation. To achieve this objective, the portfolios within this composite will invest principally in a portfolio of below investment grade rated fixed and floating rate Corporate Debt Instruments, which are listed or traded on Recognized Markets in Europe or North America and issued by corporations domiciled primarily in North America and Western Europe. While the portfolios within the composite will invest principally in North American and European issuers, they may also invest in issuers located in other geographic areas, subject to a limit of 5% of Net Asset Value in issuers from Emerging Markets. Portfolios within the composite can either be managed completely by Barings LLC, fka Babson Capital Management LLC or managed with Barings LTD, fka Babson Capital Europe, a subsidiary of the Firm. Valuations are computed and performance results are reported in U.S. dollars. The minimum portfolio value requirement for inclusion in the composite is USD $5,000,000. The composite was created in June 2012.

BENCHMARK:
The performance benchmark for the Global High Yield Bond composite is the Bank of America / Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC), Hedged to USD, but caps issuer exposure at 2%. This index tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic or Eurobond markets. The benchmark total returns do not reflect fees or expenses that would have been incurred if an investor individually purchased or sold the securities represented in the index. The performance benchmark was changed effective as of 31st December 2015 from the Bank of America / Merrill Lynch Global Non-Financial High Yield Constrained Index (HN0C) to the Bank of America / Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC), with all of the historic benchmark performance data now illustrating the performance of the Bank of America / Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC).

FEES:
Returns are presented gross of management fees, custodial fees, and withholding taxes but net of all trading expenses. Net of fee performance results are calculated by deducting from the gross monthly return the maximum annual fee charged of 0.60% for the strategy shown.

PERFORMANCE RESULTS:
Results are calculated using a time-weighted total-rate-of-return formula and are expressed in U.S. dollars. The composite is asset-weighted; individual portfolios are valued daily on a trade-date basis and include accrued income. The composite and benchmark results assume the reinvestment of distributions. Performance results include all portfolios under the Firm's management that meet the Composite Definition. A portfolio is included in the composite when it is deemed that the investments made by the investment advisor fully reflect the intended investment strategy. Past performance is not a guarantee of future performance.

ASSETS, COMPOSITE DISPERSION, EX-POST STANDARD DEVIATION:
The asset base used to calculate the composite's percentage of Firm assets includes both discretionary and non-discretionary portfolios managed by the Firm, and also includes non-fee paying portfolios. The asset-weighted dispersion calculation measures the deviation of individual portfolio returns around the aggregate composite return. Only portfolios that have been managed for a full annual period have been included in the dispersion calculation. No Dispersion is reported for periods with five or fewer portfolios (shown as NM). The three-year annualized ex-post standard deviation of the composite and benchmark are displayed above.

Barings is a $304+ billion global financial services firm dedicated to meeting the evolving investment and capital needs of our clients. We build lasting partnerships that leverage our distinctive expertise across traditional and alternative asset classes to deliver innovative solutions and exceptional service. Part of MassMutual, Barings maintains a strong global presence with over 1,800 professionals and offices in 16 countries.*

Any forecasts in this document are based upon Barings opinion of the market at the date of preparation and are subject to change without notice, dependent upon many factors. Any prediction, projection or forecast is not necessarily indicative of the future or likely performance. Investment involves risk. The value of any investments and any income generated may go down as well as up and is not guaranteed. Past performance is no indication of current or future performance. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Any investment results, portfolio compositions and or examples set forth in this document are provided for illustrative purposes only and are not indicative of any future investment results, future portfolio composition or investments. The composition, size of, and risks associated with an investment may differ substantially from any examples set forth in this document. No representation is made that an investment will be profitable or will not incur losses. Where appropriate, changes in the currency exchange rates may affect the value of investments. Prospective investors should read the offering documents for the details and specific risk factors of any Fund discussed in this document.

*As of December 31, 2017

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