BARINGS VIEWPOINTS

JULY

2018

NOT ALL SHORT-DURATION STRATEGIES ARE CREATED EQUAL

WHY BARINGS ACTIVE SHORT DURATION?

LONGEVITY
Nearly 30-year track record

HIGH QUALITY
Primarily investment grade securities

PROCESS
Unique, two-pronged investment approach

RESULTS
Has matched the return of the broad bond market, with a fraction of the risk[1]

VERSATILITY
Multiple applications in investor portfolios

Today's fixed income investors face a number of formidable challenges. Interest rates remain low by historical standards but appear poised to rise (or continue rising) amid a favorable economic backdrop and shifting global monetary policy. At the same time, credit spreads remain fairly tight across many fixed income sectors, meaning investors are often not being adequately rewarded for taking on credit risk.

This environment has left many investors strapped for yield and return, potentially forcing them to step outside their normal risk tolerance to pursue their investment objectives. For example, some investors may have either gone down in credit quality or reached for yield at the longer end of the yield curve, which is more sensitive to interest rate movements. In so doing, investors may be exposed to significantly more credit or duration risk than they realize (in other words, more vulnerable to market volatility and possible capital depreciation going forward).

An appropriate strategic allocation to a high-quality short-duration bond strategy may allow these investors to reenter their comfort zone—not only today, but for the long term as well.

A Vast Universe of Short-Duration Strategies

Many investors mistakenly think of the short-duration bond universe as a monolithic group of strategies that all share one key characteristic—the ability to help protect against rising rates or, more generally, to help reduce portfolio volatility.

In reality, the universe is large and quite diverse, with notable differences among individual strategies. For example, passive duration strategies in particular may not supply much of a rate hedge because many do not attempt to actively manage interest rate risk, while some active duration strategies may have oversized allocations to higher-risk credit. And of course, yield and performance can vary considerably from one strategy to another, with some strategies providing unacceptably low returns.

1. Source: eVestment Alliance as of March 31, 2018, based on gross-of-fees performance. Performance comparisons include the Bloomberg Barclays U.S. Aggregate Bond Index. Past performance is not a guarantee of future performance.

WHY BARINGS ACTIVE SHORT DURATION?

Over the past 10 years, the Active Short Duration Composite has delivered all (101%) of the Bloomberg Barclays Aggregate's return with only two-thirds (67%) of the volatility and one-third (31%) of the downside deviation.[3]

Active Short Duration is designed to be resilient through changing market conditions, as a core bond allocation should be; for example, the strategy may perform well when the yield curve is either flattening (like today) or steepening.

Active Short Duration Strategy: Three Distinct Roles

A strategy that uses a rules-based approach to managing duration and diversified sources of credit—such as **Barings Active Short Duration Strategy**—may resonate with fixed income investors who are both risk- and return-focused. This type of strategy can potentially play three distinct roles in long-term investor portfolios.

1. SUBSTITUTE FOR LONG/INTERMEDIATE ALLOCATION

Faced with today's fixed income headwinds, many investors have been rethinking their allocation to the long end of the yield curve. While the short end of the curve can help defend against rising rates, a typical short-term bond strategy may fail to meet many investors' income and total return needs. For core bond investors seeking a more optimal balance of risk and reward, the solution may be an actively managed intermediate or short-duration strategy that is designed to mitigate market volatility without meaningfully sacrificing return.

Sitting comfortably in the gap between cash/ultra-short and traditional intermediate-term fixed income, Active Short Duration may be suitable as a core fixed income allocation and a proxy for the Bloomberg Barclays U.S. Aggregate Bond Index.[2]

FIGURE 1: STRONG RISK-ADJUSTED RESULTS VS. CORE BOND BENCHMARKS & UNIVERSES

THREE-YEAR MEASUREMENTS	RETURN (%)	SHARPE RATIO	STD DEV.
Active Short Duration	2.13	1.94	0.85
Bloomberg Barclays US 1–3 Yr Government	0.40	-0.13	0.72
US Aggregate	1.20	0.26	2.69
Core Universe 25th Percentile	1.96	0.56	2.76
Core Plus Universe 25th Percentile	2.61	0.78	2.85
FIVE-YEAR MEASUREMENTS	**RETURN (%)**	**SHARPE RATIO**	**STD DEV.**
Active Short Duration	2.17	2.01	0.92
Bloomberg Barclays US 1–3 Yr Government	0.53	0.32	0.68
US Aggregate	1.82	0.52	2.93
Core Universe 25th Percentile	2.50	0.76	3.04
Core Plus Universe 25th Percentile	3.09	0.91	3.17

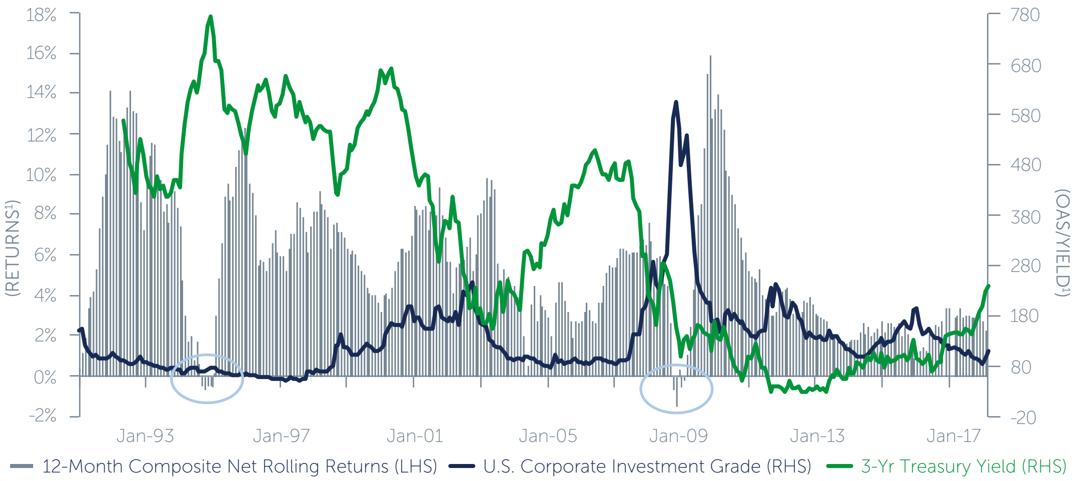
SOURCE: *EVESTMENTALLIANCE. AS OF MARCH 31, 2018; BASED ON GROSS-OF-FEES PERFORMANCE. RETURNS SHOWN FOR ACTIVE SHORT DURATION, CORE, CORE PLUS AND SHORT DURATION UNIVERSES ARE ON A GROSS-OF-FEES BASIS. RANKED IN A UNIVERSE OF SIMILAR MANAGERS, MANAGING SIMILAR STRATEGIES. THE THREE- AND FIVE-YEAR PERIODS ENDED MARCH 31, 2018 HAVE BEEN SELECTED TO REPRESENT PERFORMANCE OVER A FULL MARKET CYCLE. ADDITIONAL INFORMATION COVERING OTHER TIME PERIODS CAN BE MADE AVAILABLE UPON REQUEST. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS.*

2. The Bloomberg Barclays U.S. Aggregate Bond Index is a widely used intermediate-term bond index and not the official benchmark for Barings Active Short Duration Strategy.
3. Source: eVestment Alliance as of March 31, 2018, based on gross-of-fees performance. Performance comparisons include the Bloomberg Barclays U.S. Aggregate Bond Index. Past performance is not a guarantee of future performance.

2. AN ALTERNATIVE TO MONEY MARKET FUNDS

Many investors have short-term cash needs—for example, a placeholder for "dry powder" assets waiting to be invested in private equity several months in the future. Since capital preservation is often paramount for this purpose, many short-term investors turn to very low-risk investments such as money market funds. For investors seeking a more attractive risk-adjusted return, while still retaining a high degree of liquidity and principal stability, a high-quality short-duration bond strategy may be a viable alternative to lower-yielding (albeit lower-volatility) money market funds.

FIGURE 2: IN ITS HISTORY, THE ACTIVE SHORT DURATION STRATEGY HAS HAD NEGATIVE ROLLING 12-MONTH RETURNS IN ONLY TWO PERIODS



WORST DRAWDOWN PERIOD[2]

PEAK DATE	TROUGH DATE	RECOVERY DATE (0% RETURN)	DEPTH	PEAK TO TROUGH (DAYS)	DAYS TO RECOVERY	TOTAL DAYS FROM PEAK TO RECOVERY
9/10/2008	*11/21/2008*	*4/15/2009*	*-5.35%*	*53*	*98*	*151*

AS OF MARCH 31, 2018; BASED ON GROSS-OF-FEES PERFORMANCE.
1. SOURCE: *BARINGS, BARCLAYS. YIELD IS MEASURED IN BASIS POINTS.*
2. SOURCE: *MORNINGSTAR DIRECT. PLEASE SEE THE NOTES ON THE LAST PAGE OF THIS MATERIAL FOR MORE INFORMATION REGARDING PERFORMANCE. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS.*

WHY BARINGS ACTIVE SHORT DURATION?

Active Short Duration seeks to achieve a high rate of total return, primarily from current income, potentially making it an ideal way to "jumpstart" short-term assets.

Risk-conscious approach aims to minimize fluctuations in principal value, as evidenced by history of low volatility, consistently positive returns and limited drawdowns with strong recoveries (FIGURE 2).

The strategy's risk-adjusted results compare favorably with various short-term and ultrashort-term fixed income benchmarks over the past three- and five-year periods (FIGURE 3).

FIGURE 3: STRONG RISK-ADJUSTED RESULTS VS. SHORT-TERM/ULTRASHORT-TERM BENCHMARKS

3- AND 5-YEAR MEASUREMENTS	*3-YR RETURN (%)*	*5-YR RETURN (%)*	*3-YR SHARPE RATIO*	*5-YR SHARPE RATIO*	*3-YR STD DEV.*	*5-YR STD DEV.*
Active Short Duration	2.13	2.17	1.94	2.01	0.85	0.92
Bloomberg Barclays US 1–3 Yr Government	0.40	0.53	-0.13	0.32	0.72	0.68
BAML 3 Mo T-Bill Index	0.53	0.34	0.25	0.20	0.14	0.13
US 1–3 Yr Aggregate	0.68	0.78	0.26	0.69	0.70	0.68
US 1–5 Yr Govt/Credit	0.77	0.77	0.23	0.23	1.23	1.23

SOURCE: *EVESTMENTALLIANCE. AS OF MARCH 31, 2018; BASED ON GROSS-OF-FEES PERFORMANCE. THE THREE- AND FIVE-YEAR PERIODS ENDED MARCH 31, 2018 HAVE BEEN SELECTED TO REPRESENT PERFORMANCE OVER A FULL MARKET CYCLE. ADDITIONAL INFORMATION COVERING OTHER TIME PERIODS CAN BE MADE AVAILABLE UPON REQUEST. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS.*

WHY BARINGS ACTIVE SHORT DURATION?

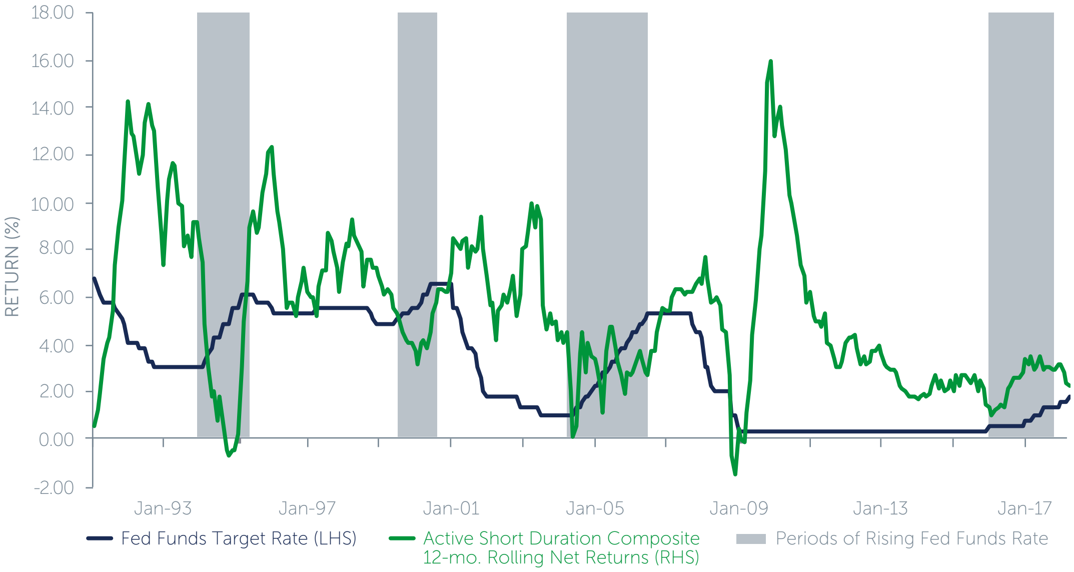
Unlike most short-duration strategies, Active Short Duration combines dynamic, rules-based duration management with active credit management—a "two-pronged" approach—for well-diversified sources of risk and return.

This combination has historically enabled Active Short Duration to successfully navigate a variety of credit spread and interest rate/yield curve environments, including during periods of rising interest rates (FIGURE 4).

3. SHORT-DURATION BOND ALLOCATION

In general, short-term fixed income instruments are acknowledged as being less sensitive to interest rate movements than their longer-term counterparts. Thus, a short-duration bond strategy may provide fixed income investors with enhanced diversification across the bond maturity spectrum, along with a natural hedge against the potentially negative impact of rising rates. As noted, however, not all such strategies are created equal when it comes to their ability to effectively manage interest rate risk and other types of portfolio risk.

FIGURE 4: ACTIVE SHORT DURATION HAS HISTORICALLY HELD ITS OWN DURING RISING RATE ENVIRONMENTS



SOURCE: *BARINGS AND BLOOMBERG. AS OF JANUARY 1, 1991–MARCH 31, 2018. A RISING RATE ENVIRONMENT IS INDICATED WHEN THE U.S. FEDERAL RESERVE RAISED THE FEDERAL FUNDS TARGET RATE BY MORE THAN 25 BPS OVER A CYCLE. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.*

Powered by Two Levers

The versatility that sets Barings Active Short Duration Strategy apart is a byproduct of the unique manner in which it is managed, with two powerful levers driving the strategy's alpha generation over time. Unlike many comparable strategies, Active Short Duration does not model duration or sector exposure after the benchmark.

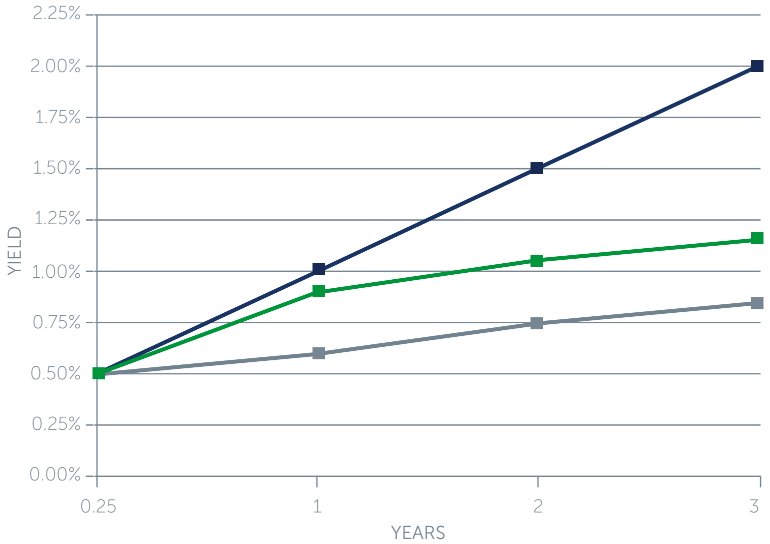
1. DYNAMIC DURATION MANAGEMENT

In any interest rate environment, duration management is critical. While many strategies in this universe are characterized by their static or subjective duration exposure, Active Short Duration relies on a dynamic, rules-based approach that has been tested since the strategy's inception more than 25 years ago.

The portfolio's target duration is not based on benchmarks or interest rate forecasts, but rather is quantitatively determined by the slope of the short end of the U.S. Treasury yield curve (FIGURE 5). Specifically, target duration increases to a maximum of three years as the yield curve steepens and decreases to a minimum of three months as the curve flattens or inverts. The pace of any duration shift—that is, how quickly the target is reached—is set by the portfolio management team in order to minimize any potential volatility around the target.

We believe this disciplined approach helps to ensure that interest rate risk is taken only when it is justified by the expected benefit of doing so.

FIGURE 5: TARGET PORTFOLIO DURATION IS QUANTITATIVELY DETERMINED USING THE SLOPE OF THE TREASURY YIELD CURVE



STEP 1
Continuously monitor the spread of Treasury yields between 3 months and 3 years.

STEP 2
The threshold for measuring the steepness of the yield curve is 20 basis points between yearly Treasury maturities.

STEP 3
When the yield spread between two maturities is greater than 20 bps, portfolio duration is lengthened. The process is the same for both steepening and flattening curve environments.

SOURCE: *BARINGS. FOR ILLUSTRATIVE PURPOSES ONLY.*

2. ACTIVE CREDIT MANAGEMENT

From a credit risk standpoint, the strategy follows a deliberate, considered approach to assuming risk and building a **high-quality** portfolio. The total allocation to non-investment grade securities cannot exceed 10% of the portfolio, and no individual security can be rated below BB-.

Credit selection is grounded in fundamental, bottom-up credit analysis, leveraging the deep resources, expertise and research of multiple investment teams on Barings' global fixed income platform.

As a result of this process, the strategy can offer diversification and access to opportunities across a wide range of individual credits and fixed income sectors, adjusting exposures as market conditions warrant. For example, along with exposure to U.S. Treasuries and investment-grade corporate bonds, the strategy may have allocations to securitized products (commercial mortgage-backed securities, residential mortgage-backed securities, asset-backed securities), high-yield bonds, CLOs and emerging-markets debt—all with an eye toward increasing portfolio yield and total return in a very risk-managed fashion (FIGURE 6).

We believe the credit-centric nature of our strategy can ultimately lead to outperformance versus similar strategies and benchmarks, particularly during periods of market stress when overall credit spreads tend to widen.

FIGURE 6: SECTOR DISTRIBUTION (%)

	ACTIVE SHORT DURATION	BLOOMBERG BARCLAYS U.S. AGGREGATE 1–3 YR. INDEX
Treasury	**4.0**	**59.9**
Agency	0.0	12.6
MBS	1.0	1.2
ABS	**31.9**	**2.2**
RMBS	4.1	0.0
CMBS	0.5	1.2
IG Corp.	**40.0**	**22.9**
HY Corp.	4.5	0.0
EM Sov/Corp.	0.9	0.0
Convertibles	0.0	0.0
Structured Credit	4.3	0.0
Cash	8.7	0.0

SOURCE: *BARINGS. AS OF MARCH 31, 2018. PORTFOLIO CHARACTERISTICS SHOWN ARE THOSE OF A PROPRIETARY ACCOUNT, WHICH IS SELECTED BECAUSE IT BEST REPRESENTS THE STRATEGY DISCUSSED. FOR ILLUSTRATIVE PURPOSES ONLY.*

Over time, our approaches to actively managing credit and interest rate risk have resulted in returns that we believe fairly compensate investors for the level of risk taken. Importantly, the two levers complement one another. Strategy returns over time have come roughly equally from the two and when one lever is not adding value, the other often is (FIGURE 7).

FIGURE 7: BREAKDOWN OF ASD CALENDAR YEAR RETURNS

RETURNS[1]	BARCLAYS 1–3 YEAR GOVERNMENT INDEX	ASD GROSS TOTAL RETURN	ASD DURATION COMPONENT RETURN	ASD CREDIT COMPONENT RETURN
YTD 2018	-0.15%	0.04%	-0.17%	0.21%
2017	0.45%	3.07%	0.71%	2.36%
2016	0.87%	3.36%	1.38%	1.98%
2015	0.57%	1.31%	1.00%	0.31%
2014	0.64%	1.98%	1.10%	0.88%
2013	0.37%	1.60%	0.01%	1.59%
2012	0.51%	3.60%	0.31%	3.29%
2011	1.56%	3.98%	3.46%	0.52%
2010	2.40%	6.11%	3.91%	2.20%

1. SOURCE: *BARINGS. AS OF JANUARY 1, 2010–MARCH 31, 2018; BASED ON GROSS-OF-FEES PERFORMANCE. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS. FEES AND EXPENSES WOULD REDUCE THE RESULTS SHOWN.*

HOW BARINGS ACTIVE SHORT DURATION WORKS:
A DEEPER DIVE

THE DURATION MANAGEMENT PROCESS IS DESIGNED TO TAKE INTEREST RATE EXPOSURE ONLY WHEN THE YIELD CURVE IS STEEP ENOUGH TO COMPENSATE INVESTORS. THE PURPOSE OF THE PROCESS IS NOT TO PREDICT THE FUTURE PATH OF RATES, BUT TO POSITION THE STRATEGY'S TARGET DURATION TO POTENTIALLY CAPTURE RETURN AND INCOME BUILT INTO THE CURVE—WITHOUT INCURRING UNNECESSARY RISK.

Barings conducted a review of the effectiveness of the process using both actual data dating back to 2010 and theoretical data dating back to 1991.[4] This analysis isolates the "Treasury-related" returns of the strategy and breaks them down into three components—carry (inclusive of yield and roll), duration and curve—to gain a deeper understanding of the factors that drive the strategy's performance.

Referencing prior actual returns going back to 2010, both carry and duration positioning benefited the strategy on an absolute basis over the last eight years. Over the latest three-year period (as the Fed has hiked rates), only carry has benefited the strategy. However, if we compare the strategy to a static two-year Treasury bond, relative outperformance can be attributed to all three components over the last eight years. More recently, the Treasury component of the strategy has foregone carry in order to maintain lower rate exposure and, thus, a relative benefit on duration.

ROLL
The benefit gained from rising bond prices as a bond gets closer to maturity from investors demanding less yield as term risk decreases.

—

CARRY
The return (inclusive of both 'yield' and 'roll') generated by a bond/bond strategy over a given period if the yield curve were to remain unchanged over that period.

—

SHIFT *(IN THE YIELD CURVE)*
The relative change in yield for each bond maturity; if the yield change is the same across maturities, it's a 'parallel' shift, while non-equal changes in yield among maturities result in a 'non-parallel' shift.

—

TWIST *(IN THE YIELD CURVE)*
A change in the slope or curvature of the yield curve due to non-parallel shifts—in other words, a flattening or steepening of the yield curve.

continued on page 7

4. Although the duration management process has been employed since the strategy's inception in 1991, the actual attribution data needed to conduct this type of analysis did not become available until 2010. Thus, the pre-2010 portion of the analysis is based on theoretical data.

A DEEPER DIVE *continued*

To extend this analysis prior to 2010, we reviewed theoretical duration returns going back to 1991. Generally, Active Short Duration has been capable of "out-carrying" a comparable two-year fixed Treasury bond through most market environments. Over the last year or two, carry has been a smaller portion of returns (FIGURE 8).

Still looking at theoretical results since 1991, carry has been the largest performance contributor on an absolute basis for both the strategy and a static two-year Treasury. Duration had been a slightly positive contributor up until the past five-year rolling window (as rate hiking started to dominate). Comparing the excess returns over the entire theoretical history, the yield advantage of carry exceeds the value generated by roll, duration and curve. More recently, the duration piece has become more dominant, although curve has also been a positive driver. For the past year, carry (in terms of both yield and roll) has been a minor drag relative to the avoided losses associated with having longer duration.

What can be concluded from this analysis? The duration management process has historically aided performance through carry, duration and curve positioning. Not all of these work in tandem. Carry is generally the primary driver, as the strategy is able to capture income and roll-down on both an absolute basis and versus a static two-year Treasury. However, as described above, the strategy may sacrifice some of that income to avoid negative returns that might otherwise result from an upward shifting curve.

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BOTTOM LINE: Regardless of bullish or bearish, curve flattening or steepening, Active Short Duration has been able to extract opportunistic carry in its performance.

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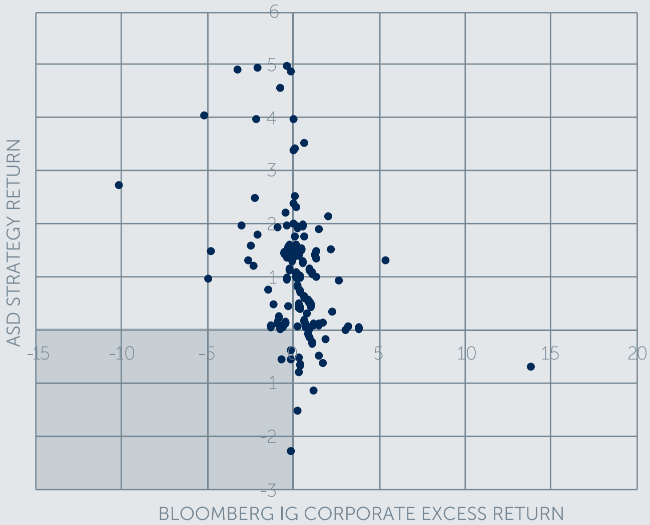
Finally, not only do the components of the duration management process complement each other, but Active Short Duration has also performed well with general credit. Figure 9 plots the strategy's quarterly returns since 1991 against those of the Bloomberg Barclays US Investment Grade Corporate Index. The bottom left quadrant is nearly empty, highlighting how rare it is for the duration management lever and the corporate credit lever to both perform negatively.

FIGURE 8: OVER TIME, THE STRATEGY HAS "OUT-CARRIED" AND OUTPERFORMED A COMPARABLE FIXED 2-YEAR TREASURY BOND

SOURCE: *BARINGS. AS OF APRIL 2018; BASED ON GROSS-OF-FEES PERFORMANCE. 'MOVE' INCLUDES THE EFFECTS OF BOTH 'SHIFTS' AND 'TWISTS' IN THE YIELD CURVE (SEE DEFINITIONS ON PRIOR PAGE). PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS. FEES AND EXPENSES WOULD REDUCE THE RESULTS SHOWN.*

FIGURE 9: ASD QUARTERLY RETURN VS. BLOOMBERG IG CORPORATE QUARTERLY EXCESS RETURN: 1991–MARCH 2018



SOURCE: *BLOOMBERG/BARCLAYS AND BARINGS. AS OF MARCH 2018; BASED ON GROSS-OF-FEES PERFORMANCE. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS. FEES AND EXPENSES WOULD REDUCE THE RESULTS SHOWN.*

STANDARDIZED PERFORMANCE: 1-, 3-, 5- AND 10-YEAR ANNUALIZED RETURNS (%)

	ACTIVE SHORT DURATION COMPOSITE (GROSS OF FEES)	ACTIVE SHORT DURATION COMPOSITE (NET OF FEES)	BLOOMBERG BARCLAYS U.S. GOVERNMENT 1–3 YEAR INDEX
1-Year Return	2.21	1.85	0.02
3-Year Return	2.13	1.78	0.40
5-Year Return	2.17	1.84	0.53
10-Year Return	3.67	3.43	1.22

SOURCE: *BLOOMBERG/BARCLAYS AND MORNINGSTAR, WITH GROSS INCOME REINVESTED. AS OF MARCH 31, 2018. RETURNS FOR PERIODS GREATER THAN ONE YEAR ARE ANNUALIZED. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. NO REPRESENTATION IS MADE THAT THE INVESTMENT WILL INCUR A PROFIT OR LOSS. PLEASE REFERENCE THE GIPS DISCLOSURE ON THE NEXT PAGE FOR MORE INFORMATION.*

DAVID NAGLE, CFA
HEAD OF MULTI STRATEGY FIXED INCOME

David Nagle is the Head of Barings' Multi Strategy Fixed Income Group. He is responsible for the portfolio management of the firm's investment grade strategies. Dave has worked in the industry since 1986 and his experience has encompassed multi-sector portfolio and risk management, and asset allocation. Dave holds a B.A. in Economics and Finance from Lafayette College and is a member of the CFA Institute.

A WORD ABOUT RISK

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market value of securities owned by the portfolio will decline. Accordingly, you can lose money investing in this strategy. Please be aware that this strategy may be subject to certain additional risks. Fixed-income securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In the current rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. This article is for use with investment professionals for informational purposes only and does not constitute any offering of any security, product, service or fund, including any investment product or fund sponsored by Barings, LLC (Barings) or any of its affiliates. The information discussed by the author is the author's own view as of the date indicated and may not reflect the actual information of any fund or investment product managed by Barings or any of its affiliates. Neither Barings nor any of its affiliates guarantee its accuracy or completeness and accept no liability for any direct or consequential losses arising from its use. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** An investment entails the risk of loss.

Barings Active Short Duration Composite

Reporting Currency: USD
Schedule of Performance Results

Date	Composite Annual Gross Return	Composite Annual Net Return	Barclays Capital Gov't 1–3 Yr Index Annual Returns	Asset-Weighted Dispersion	Composite Standard Deviation	Benchmark Standard Deviation	Total Assets (millions)	Total Firm Assets (millions)	Percentage of Firm Assets	# of Portfolios at End of Period
3/31/18	0.04%	-0.05%	-0.15%	NM	0.83%	0.71%	1,380	287,672	0.5%	<=5
12/31/17	3.07%	2.71%	0.45%	NM	0.99%	0.75%	1,354	284,789	0.5%	<=5
12/31/16	3.36%	3.00%	0.87%	NM	1.07%	0.76%	1,110	178,724	0.6%	<=5
12/31/15	1.31%	0.96%	0.57%	NM	0.98%	0.57%	1,217	163,934	0.7%	6
12/31/14	1.98%	1.73%	0.64%	NM	0.72%	0.43%	1,167	157,257	0.7%	<=5
12/31/13	1.60%	1.34%	0.37%	NM	0.86%	0.49%	1,651	142,832	1.2%	<=5
12/31/12	3.60%	3.34%	0.51%	NM	1.28%	0.71%	1,164	116,633	1.0%	<=5
12/31/11	3.98%	3.72%	1.56%	NM	2.20%	0.95%	827	100,213	0.8%	<=5
12/31/10	6.11%	6.03%	2.40%	NM	3.19%	1.67%	685	95,808	0.7%	<=5
12/31/09	12.77%	12.68%	1.41%	NM	3.08%	1.80%	389	108,303	0.4%	<=5
12/31/08	0.37%	0.29%	6.66%	NM	2.43%	1.62%	391	99,036	0.4%	<=5

NM The asset-weighted dispersion of five or fewer portfolios for the entire year is not meaningful. Please note that although 2015 ended the year with 6 portfolios, they were not all present for the entire year.
<=5 Five or fewer portfolios.

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 1993-2017 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 Active Short Duration composite has been examined for the periods 2010 - 2017. 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:
Portfolios in the composite seek to achieve a high total rate of return primarily from current income and to minimize fluctuations in capital values by investing primarily in diversified portfolios of short-term investment grade fixed income securities. By utilizing a yield preference approach, the duration is managed to a target (intended to be three years or less) that depends on the shape of the yield curve. Duration may be increased when longer-term investments are believed to offer sufficiently higher yields. Conversely, the duration may be decreased when short-term investments are believed to offer more attractive yields than longer-term investments, but with less risk. Portfolio duration changes will be made primarily by reinvesting cash flows and by selective trading. Additional value is added through sector rotation and issuer selection. Portfolios in the composite may invest up to 10% of total assets in below investment grade debt securities rated Ba3/BB- or higher. Derivative use within the composite membership incorporates certain options, futures contracts, options on futures contracts, forward contracts, swaps, caps, floors, collars, structured notes, indexed securities, options on indexed securities and other derivative instruments to modify risk exposures, such as Duration, Sector & issuer spread, Term structure, and Volatility. Derivative activity within the composite is not viewed as material. The minimum portfolio value requirement for inclusion in the composite is USD $15,000,000. The composite was created in June 2000.

BENCHMARK:
The Bloomberg Barclays Capital Government Index: 1-3 Years, "Index" has been selected as the benchmark for the composite. The Index includes securities in the U.S. Government Index that have between one and three years until maturity.

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 using the highest fee charged for a member portfolio on an annual basis dedicated to this strategy during the periods presented. Applicable Fees for 2006-2010: 8bps, 2011-2014: 25bps, and 2015 forward: 35bps. Actual fees may depend on, among other things, the applicable fee schedule and portfolio size.

SIGNIFICANT CASH FLOW:
Any portfolios determined to exceed the Significant Cash Flow Percentage, "SCFP", within a month, will be removed from the composite assignment for a period of at least one month and up to three months, depending on the timing of the client directed cash flow and/or the investment strategy. The SCFP for this composite is 10%. Additional information regarding the treatment of significant cash flows is available upon request.

PERFORMANCE RESULTS:
Results are calculated using a time-weighted total-rate-of-return formula. 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 for the entire year (shown as NM). The three-year annualized ex-post standard deviation of the composite and benchmark are displayed above.

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