

OVERALL  
MORNINGSTAR RATING™\*



## FUND FACTS

**NAV (£m)**  
85.2

**NAV Price (£)<sup>1</sup>**  
6.9

**Discount to NAV**  
15.4%

**NAV Yield<sup>1</sup>**  
5.0%

**Structure**  
Closed Ended Investment Trust  
Company

**Inception Date**  
December 18, 2002

**ISIN**  
GB0032273343

**Bloomberg Ticker**  
BEE LN

**Base Currency**  
GBP

**Benchmark<sup>2</sup>**  
MSCI Emerging Europe 10/40

**Management Fee (p.a.)**  
0.8%

**Ongoing Charges (p.a.)**  
1.49%

## PORTFOLIO MANAGERS

**Matthias Siller, CFA**  
22 years of experience

## SEPTEMBER 2020 / FACTSHEET

### OBJECTIVE

Barings Emerging Europe Plc is an actively managed equity strategy. The investment objective of the fund is to achieve long-term capital growth primarily through investment in a diversified portfolio of Emerging European equity securities.

### STRATEGY

Identify investment opportunities through a differentiated and innovative investment process using fundamental, bottom-up analysis.

### MARKET OPPORTUNITY

- Investing in Emerging European economies including, Russia, Turkey, Poland, Hungary, Czech Republic and Greece. In addition, up to 15% of the fund may be invested in the Middle East, North Africa and Sub-Saharan Africa.
- This region offers significant growth prospects for companies with access to the expanding European markets of over 300 million people. Export opportunities within the region are further strengthened by competitive advantages such as natural resource availability and pools of highly skilled low cost labor. Rising income levels support domestic consumption and provide substantial investment potential.

FUND PERFORMANCE (%)	Ordinary Shares (Gross of Fees)	Ordinary Shares (Net of Fees)	Benchmark <sup>2</sup>
September 2020	-4.64	-4.75	-4.23
3 Months	-6.53	-6.87	-9.25
Year to Date	-25.10	-25.92	-25.89
1 Year	-21.21	-22.37	-22.58
3 Years	-2.34	-3.79	-3.03
5 Years	11.43	9.77	7.08
10 Years	1.76	0.25	-0.85
Since Inception	11.12	9.51	8.66

ROLLING 12 MONTH PERFORMANCE (%)	Ordinary Shares (Gross of Fees)	Ordinary Shares (Net of Fees)	Benchmark <sup>2</sup>
09/30/2019 - 09/30/2020	-21.21	-22.37	-22.58
09/30/2018 - 09/30/2019	19.55	17.76	15.88
09/30/2017 - 09/30/2018	-1.10	-2.57	1.62
09/30/2016 - 09/30/2017	28.86	26.94	21.43
09/30/2015 - 09/30/2016	43.12	40.99	27.14

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** An investment entails a risk of loss. Returns for periods greater than one year are annualized.

Source: Morningstar/Barings: Performance figures are shown in GBP on a NAV basis, with gross income reinvested.

1. NAV price is a single price for dealing which is a mid-price. For purchases, an initial charge is added to the NAV price. NAV Yield is an estimated historic annualized yield based on actual distributions over the last 6 months.

2. The benchmark is MSCI Emerging Europe 10/40 Index.

\*Please refer to page 4 for additional detail.

## EQUITY PLATFORM<sup>1</sup>

Barings manages \$346+ billion of equities, fixed income, real estate and alternative assets globally

We focus on building high-conviction, research-driven equity solutions for our clients. We have a long history of being early investors in new and established markets

- Global Equities
- Emerging Market Equities
- Small-Cap Equities
- Active Quant Equities

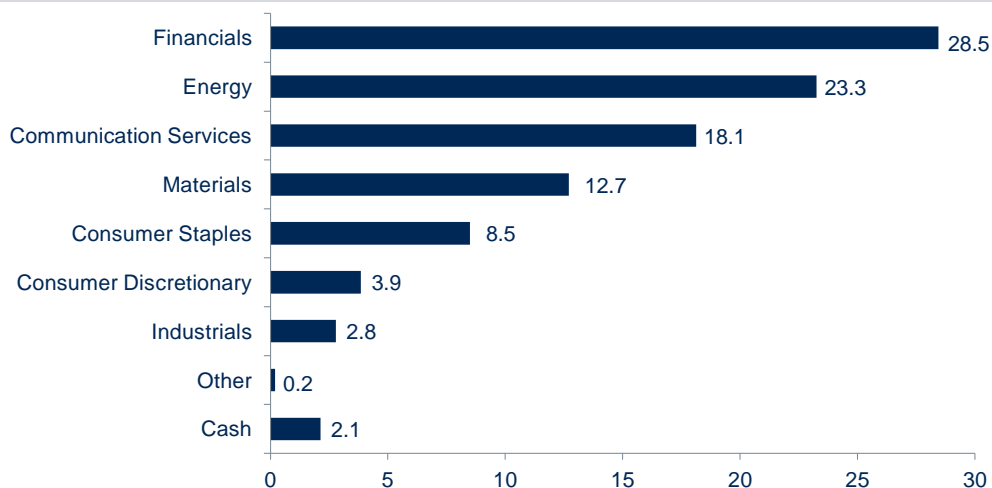
Equities investor base includes financial institutions, pensions, foundations and endowments and wholesale distributors

## CHARACTERISTICS<sup>2,4</sup>

## BARINGS EMERGING EUROPE PLC

Number of Holdings	38
Active Share (%)	43.40
Off Benchmark (%)	20.73
Tracking Error (%) (3Y Ann)	5.11
Information Ratio (3Y Ann)	0.14
Standard Deviation (3Y Ann)	21.74
Alpha (3Y Ann)	1.27
Beta (Ex Ante)	1.00
Av. Market Cap (USD\$b)	22.81

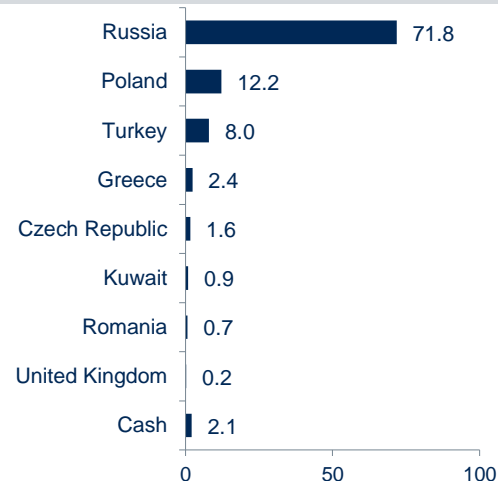
## TOP SECTOR WEIGHTING (% OF NAV)<sup>3</sup>



## TOP HOLDINGS (% OF NAV)<sup>3</sup>

Sberbank	9.85
Lukoil	7.03
MMC Norilsk Nickel PJSC	6.42
Gazprom	6.08
Tatneft	5.39
Polyus PJSC	4.44
CD Projekt S.A.	4.40
Yandex	4.39
Mail.ru	4.33
Novatek	3.84

## TOP COUNTRY WEIGHTING (% OF NAV)<sup>3</sup>



1. Barings assets and investment professionals as of June 30, 2020.
2. Risk statistics based on gross performance.
3. As of September 30, 2020.
4. Refer to glossary on our website for definitions of terms. Characteristics are subject to change.

## MANAGER'S COMMENTS SEPTEMBER 2020

### PERFORMANCE SUMMARY

During September, global equity markets entered a consolidation phase following gains over the summer. This set the tone for Emerging Europe, where sectors such as retail, internet, and telecommunications, which have contributed substantially to performance recently, took a breather. Currency markets remained volatile, as they have done for much of the year, putting further pressure on the Polish Zloty, the Russian Rouble and the Turkish Lira.

Over the month of September, Baring Emerging Europe Plc underperformed its performance comparator.

Online bank Tinkoff ended the period as one of the Fund's top contributor to relative returns, helped by an impressive set of quarterly earnings that further highlighted the strong growth prospects for the company's innovative business model. The stock also benefitted from news that Yandex had reached an agreement in principle to acquire the company at a premium to market value. Elsewhere, Russian retailer Magnit also outperformed, reflecting the company's substantial progress made towards restructuring their business model, helping expand margins.

In contrast, our holding in Russian oil and gas company Tatneft underperformed in line with weakness in the oil price following concerns that a second wave of COVID-19 infections would lead to lockdown restrictions across the globe. Russian internet company Mail.Ru also detracted from relative returns, after the stock lost some ground throughout September. Despite this, the company remains one of the best performing names year to date.

### STRATEGY

Over the course of the month, two of the companies in our portfolio were subject to takeover bids, highlighting in our view the attractiveness of Emerging European publicly listed companies.

In Poland, the majority owners of the country's largest mobile telephony company, Play, accepted an offer by the French telecommunications operator Iliad at more than a 35% cash premium to Play's market price. The shares quickly moved close to the buy-out price and we decided to sell our position.

Elsewhere, Russian internet search giant Yandex agreed a deal in principle to acquire Russian challenger bank Tinkoff, Emerging Europe's largest Fintech company. Whilst the premium offered here was not as rich, the potential acquisition price would still represent an all-time high in USD terms for Tinkoff. Contrary to Play, this deal would be partially financed with Yandex shares and is subject to ongoing due diligence, hence introducing a degree of uncertainty with regards to its timeline and price.

### OUTLOOK

In addition to the transactions mentioned above, over the prior two years the Fund also benefitted from DXC Technology's takeover of Luxoft, announced in January 2019 at a substantial premium to market value. More broadly, we believe this increase in takeover activity across the region is indicative of the inherent attractiveness of Emerging European companies and might well set the scene for a resurgence of local market activity.

Whilst IPO activity in the region has been rather lacklustre over the last few years, the recent listing of Allegro, the Polish leading multi-channel ecommerce company, highlights the potential we see in the development of local capital markets.

## Key Risks:

- Regional Funds have a narrower focus than those which invest broadly across markets and are therefore considered to be more risky.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Coupled with less developed regulation, this means your money is at greater risk
- Russia and the region pose special risks such as, economic and political unrest, lack of a transparent and reliable legal system, lower standards of corporate governance and an under developed process for enforcing legal ownership of investments
- Derivative instruments can make a profit or a loss and there is no guarantee that a financial derivative contract will achieve its intended outcome. The use of derivatives can increase the amount by which the Fund's value rises and falls and could expose the Fund to losses that are significantly greater than the cost of the derivative as a relatively small movement may have a larger impact on derivatives than the underlying assets
- Debt securities are subject to risks that the issuer will not meet its payment obligations (ie, default). Low rated (high yield) or equivalent unrated debt securities of the type in which the fund will invest generally offer a higher return than higher rated debt securities, but also are subject to greater risks that the issuer will default.
- Changes in exchange rates between the currency of the Fund and the currencies in which the assets of the Fund are valued can have the effect of increasing or decreasing the value of the Fund and any income generated

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Barings Emerging Europe Plc was rated against the following number of EAA Fund Emerging Europe Equity investments over the following time periods: 224 investments in the last three years, 211 investments in the last five years, and 169 investments in the last ten years. **Past performance is no guarantee of future results.**

Morningstar Rating is for the ordinary share class only.

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