



## **European High Yield: Can the Winning Streak Continue?**

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*Marketing Material*

Barings-Corporate

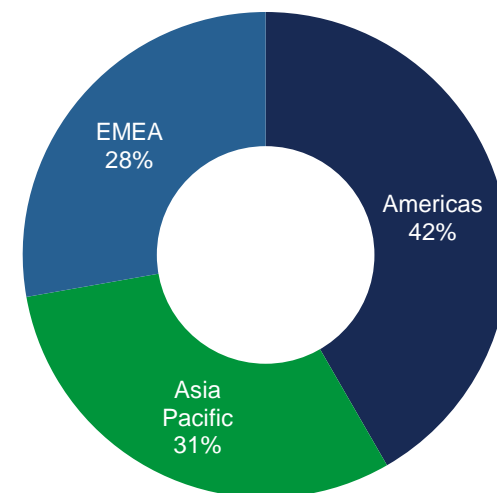
## BARINGS OVERVIEW

# Who We Are

Barings, a subsidiary of MassMutual, is a global investment manager sourcing differentiated opportunities and building portfolios across public and private fixed income, real estate and specialist equity markets.



External AUM by Region<sup>1</sup>



**\$347+ B**

ASSETS UNDER MANAGEMENT

**1,200+**

EXTERNAL CLIENTS

**1,800+**

PROFESSIONALS GLOBALLY

1. Includes third party, external AUM only.

All figures are as of September 30, 2023 unless otherwise indicated. Assets shown are denominated in USD. Percentages may not equal 100 due to rounding.

PUBLIC

**\$186.8 B**

PUBLIC FIXED INCOME<sup>1</sup>

**\$10.9 B**

PUBLIC EQUITIES<sup>2</sup>



AUM

## Global Investment Capabilities

Barings leverages its depth and breadth of experience across public and private markets to help meet our clients' evolving investment needs.

PRIVATE

**\$80.4 B**

PRIVATE CREDIT

**\$45.7 B**

REAL ESTATE<sup>3</sup>

**\$5.9 B**

PRIVATE EQUITY

**\$5.0 B**

CAPITAL SOLUTIONS<sup>4</sup>

1. Excludes the Korean Fixed Income Strategy totaling \$2.8 billion in AUM.

2. Excludes the Korean Domestic Equities Strategy, which has \$8.2 billion in AUM.

3. Projected AUM figures. Includes Real Estate Debt Strategy assets that are managed as part of affiliated fixed income portfolios.

4. Represents dedicated Capital Solutions accounts and investments made on behalf of Barings BDCs, but does not include assets managed in other cross-platform portfolios.

All figures are as of September 30, 2023 unless otherwise indicated. Assets shown are denominated in USD. The Multi-Asset Strategy is not included on this slide, which has \$2.1B in AUM.

# \$186.6 B

## Public Fixed Income

### OUR APPROACH

The depth and breadth of our fixed income platform and our fundamental, bottom-up, research-driven investment process drive our commitment to adding alpha across the credit spectrum—from investment grade to high yield, in both developed and emerging markets.

### \$94.0 B

INVESTMENT GRADE

### \$51.1 B

HIGH YIELD BONDS & LOANS

### \$24.7 B

STRUCTURED CREDIT

### \$17.0 B

SOVEREIGN & EMERGING  
MARKETS DEBT

### KEY DIFFERENTIATORS



#### Experienced Global Team

One of the largest public fixed income investment teams in the industry with 145 dedicated investment professionals including 60+ credit research analysts covering bonds, loans and structured credit globally



#### Long Track Record of Consistent Performance

Decades of experience managing fixed income portfolios through multiple credit cycles and periods of volatility



#### Specialized Capabilities

Solutions provider experienced in managing fixed income mandates tailor-made to specific client objectives and client types

Deep expertise in less well understood market segments such as CLOs, EM sovereign, corporate and local markets

All figures are as of September 30, 2023 unless otherwise indicated. Assets shown are denominated in USD.

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## What are High Yield Bonds?

- Bonds rated below BBB- are High Yield
- Offer a higher coupon to compensate for increased credit and liquidity risk
- Global High Yield is a €2T asset class

## Characteristics

- Usually pays a fixed coupon until maturity
- Must be repaid in full
- Average maturity at issue around seven years
- Typically callable after three years
- Limited protection from rising interest rates.
- Can be secured or unsecured against an issuer's assets
- Stronger covenant protection versus Investment Grade credit

## Ownership

- |                          |                           |
|--------------------------|---------------------------|
| • Pension Funds          | • HNW Individuals         |
| • Insurers               | • High Yield Mutual Funds |
| • Sovereign Wealth Funds | • Alternative Funds       |

# High Yield Bonds

## In Transition

- **Rising Stars:** Formerly High Yield Bonds that have been upgrading to Investment Grade due to improvements in the issuer's credit quality
- **Fallen Angels:** Formerly Investment Grade Companies whose credit rating is downgraded below BBB- due to a deterioration in credit quality or to factors impacting the issuer's industry

NOKIA



NISSAN  
MOTOR CORPORATION



## Corporate Hybrids

- **Subordinated debt** from (typically BBB rated) Investment Grade Issuers
- **Combines characteristics of bonds** (coupons) **and equities** (very long maturities, coupon may be suspended)
- Rating Agencies view favourably for issuer's credit ratios



## BB Rated issuers

- Typically **large public companies** seeking to optimise capital structure
- Uses often include refinancing existing debt, capex, general corporate purposes, stock buybacks, M&A

V O L V O

M&S

## B Rated Issuers

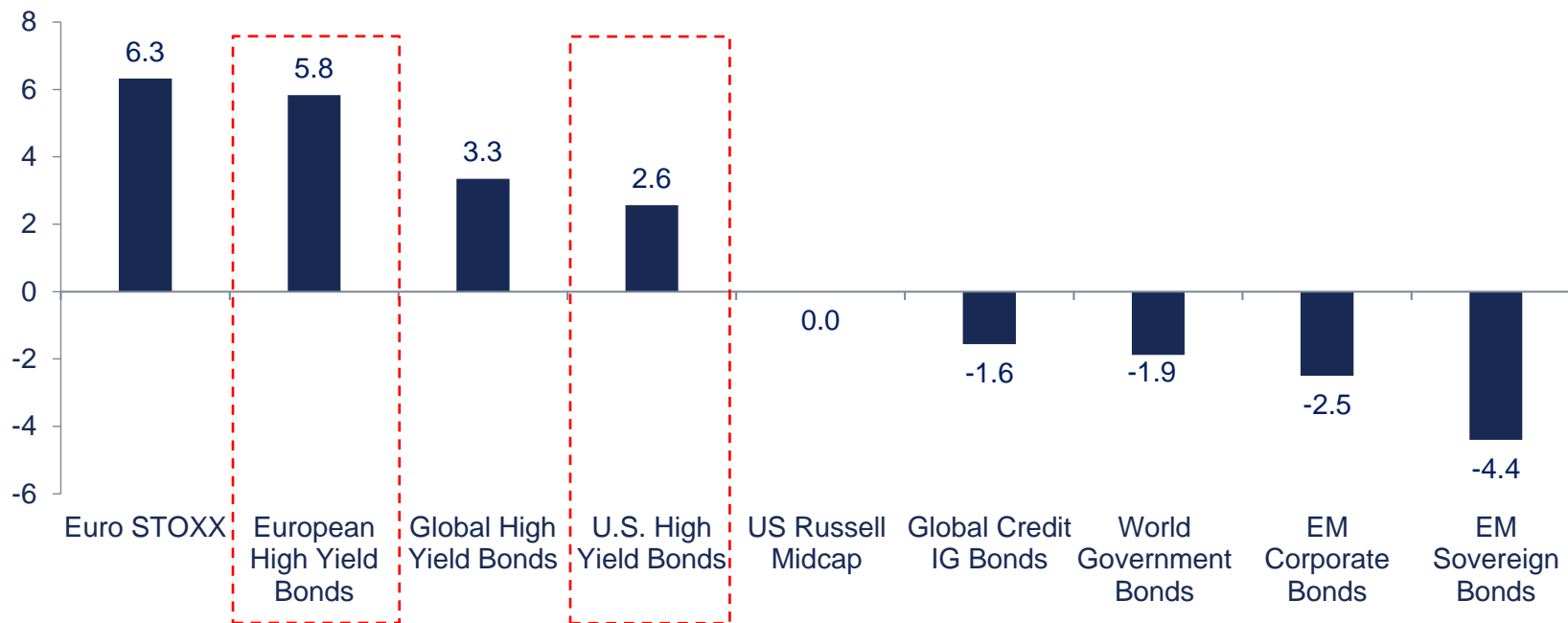
- Often **PE-backed businesses**
- Frequently **secured** against specific firm assets
- Uses often include LBO financing, refinancing, dividends, M&A



JLR

# Year to Date Asset Class Returns

## YTD October 2023 Total Return of Selected Asset Classes (EUR Hedged) Income Underpins High Yield Asset Classes While Duration Continues to Weigh on Total Return



■ Returns YTD 2023 (EUR Hedged)

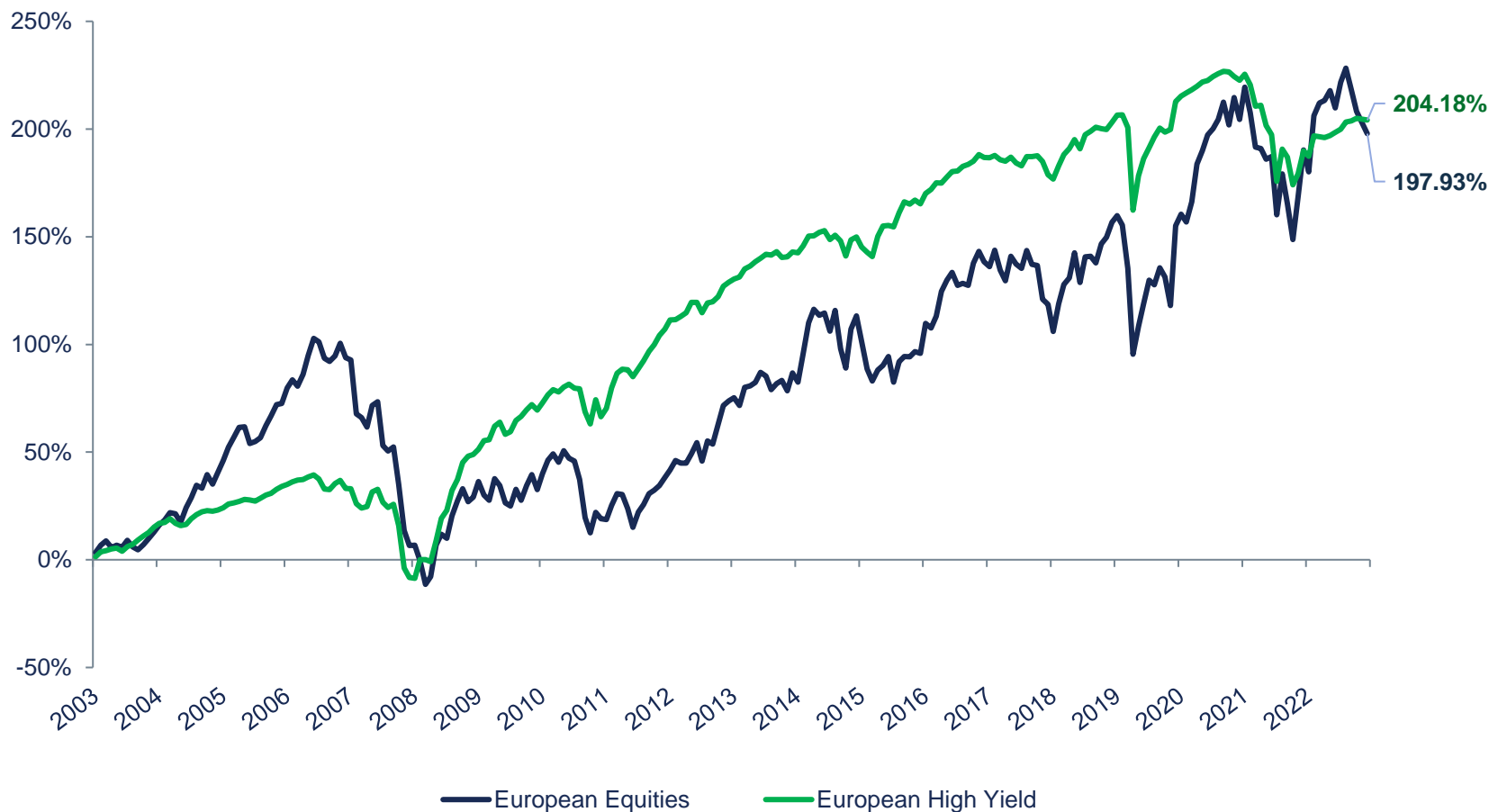
1. Source: ICE European Currency Non-Financial High Yield Constrained Index, hedged to Euro (HPID), ICE BofA Non-Financial Developed Markets High Yield Constrained Index, ICE BofA Global Corporate Index, Bloomberg Global Aggregate Credit Total Return Index; JP Morgan EMBI Global Diversified Index, and JP Morgan CEMBI Broad Diversified Index, Russell Midcap Index and Euro STOXX. All returns shown on a EUR hedged basis. As of October 30, 2023.

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# European High Yield vs Equities: Similar Return, Less Volatility

## European High Yield Vs Stoxx 600 Total Return since 2004



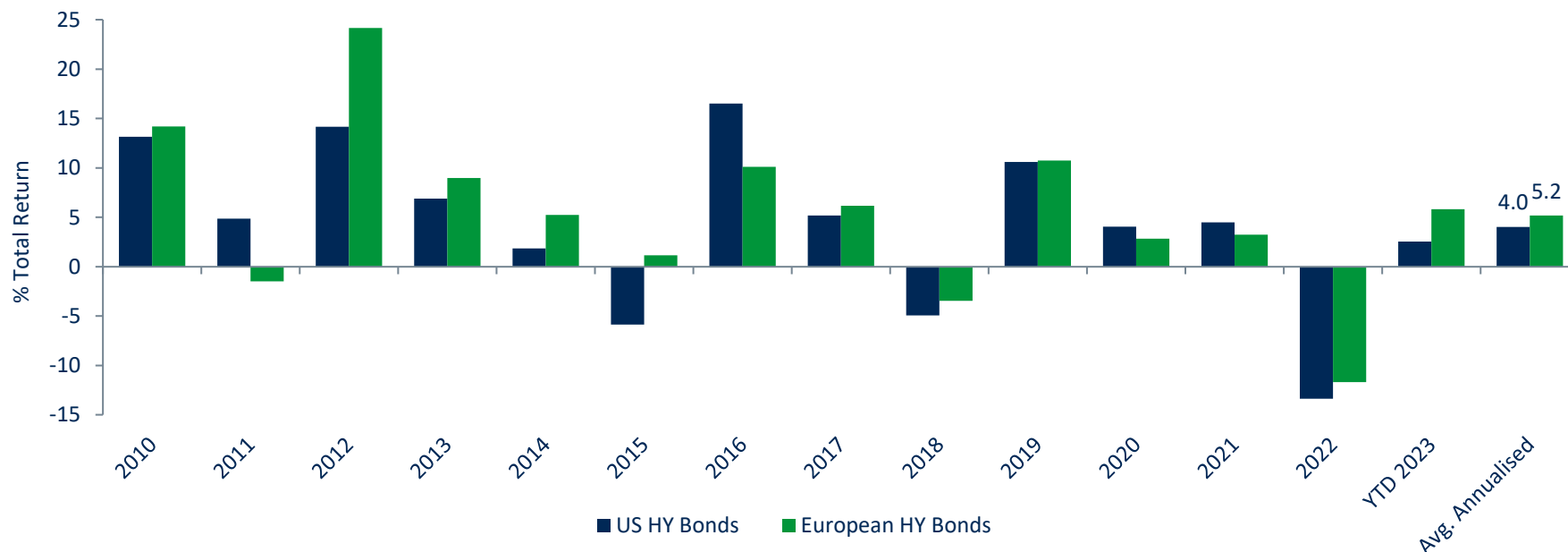
Source: Bloomberg, ICE BofA European High Yield Non-Financial Constrained Index (hedged EUR), Eurostoxx 600 Total Return Index As at 30 November 2023

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# Low Growth is not an Impediment for High Yield Performance

## Annual High Yield Bond Returns 2010 – YTD 2023 (EUR Hedged)



## Annual Real GDP Growth

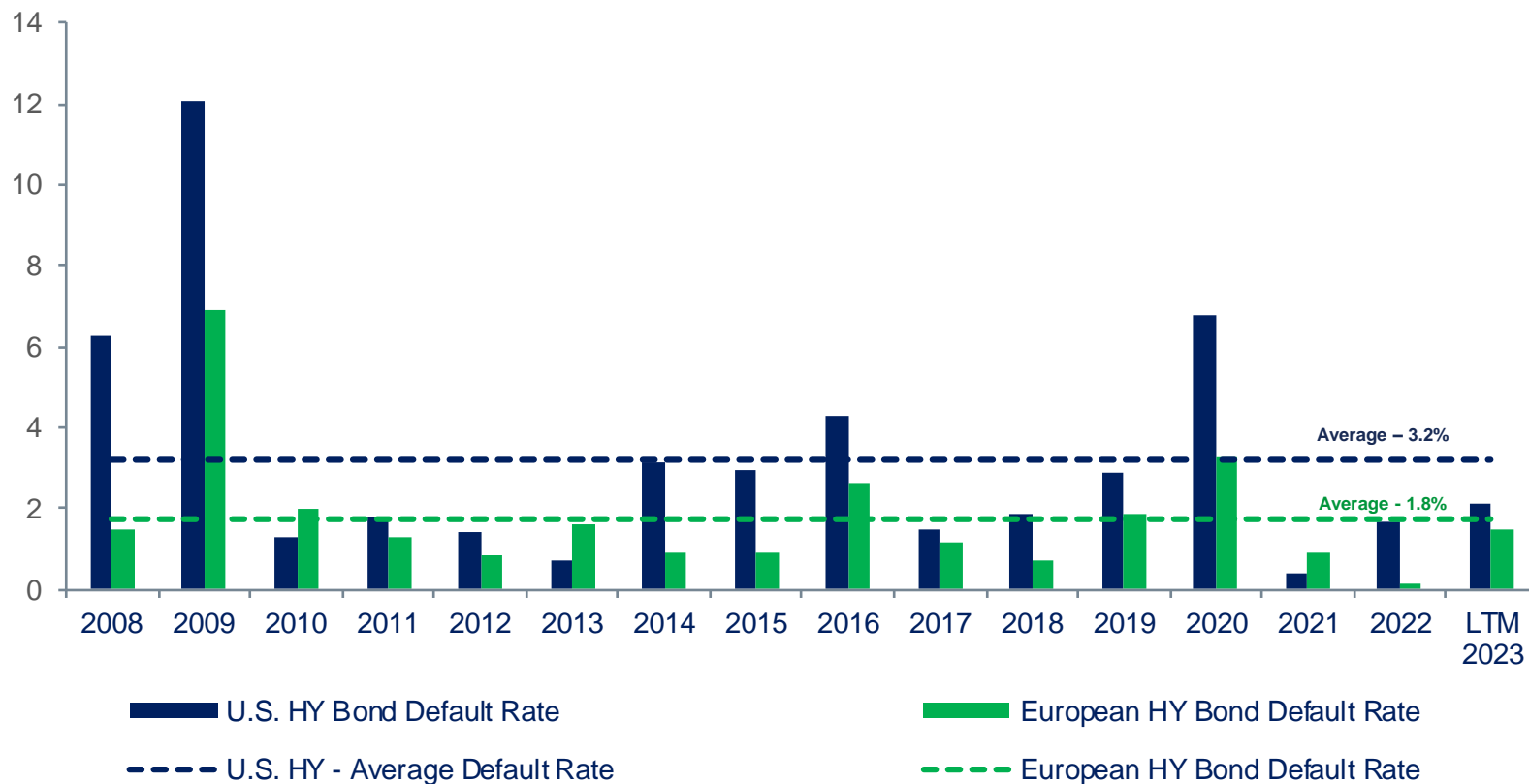
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (F)	Average (2011-22)
U.S.	2.7%	1.5%	2.3%	1.8%	2.3%	2.7%	1.7%	2.2%	2.9%	2.3%	-2.8%	5.9%	1.9%	2.4%	2.1%
Eurozone	2.1%	1.6%	-0.9%	-0.2%	1.4%	2.0%	1.9%	2.6%	1.8%	1.6%	-6.1%	5.6%	3.3%	0.7%	1.2%

Source: Bloomberg, ICE BofA, as of October 31, 2023. Returns in EUR hedged terms' GDP Forecast based on latest official central bank projections..  
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# Are European High Yield Defaults Structurally Lower?

EUROPEAN AND US HIGH YIELD DEFAULT RATES OVER TIME<sup>1</sup>



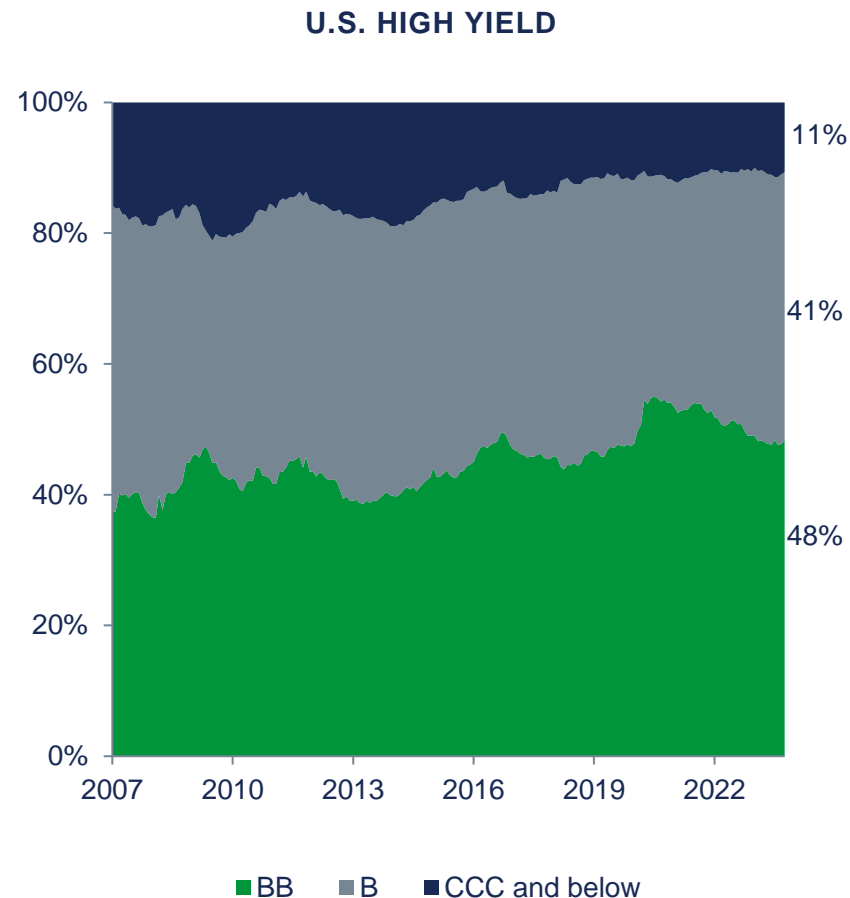
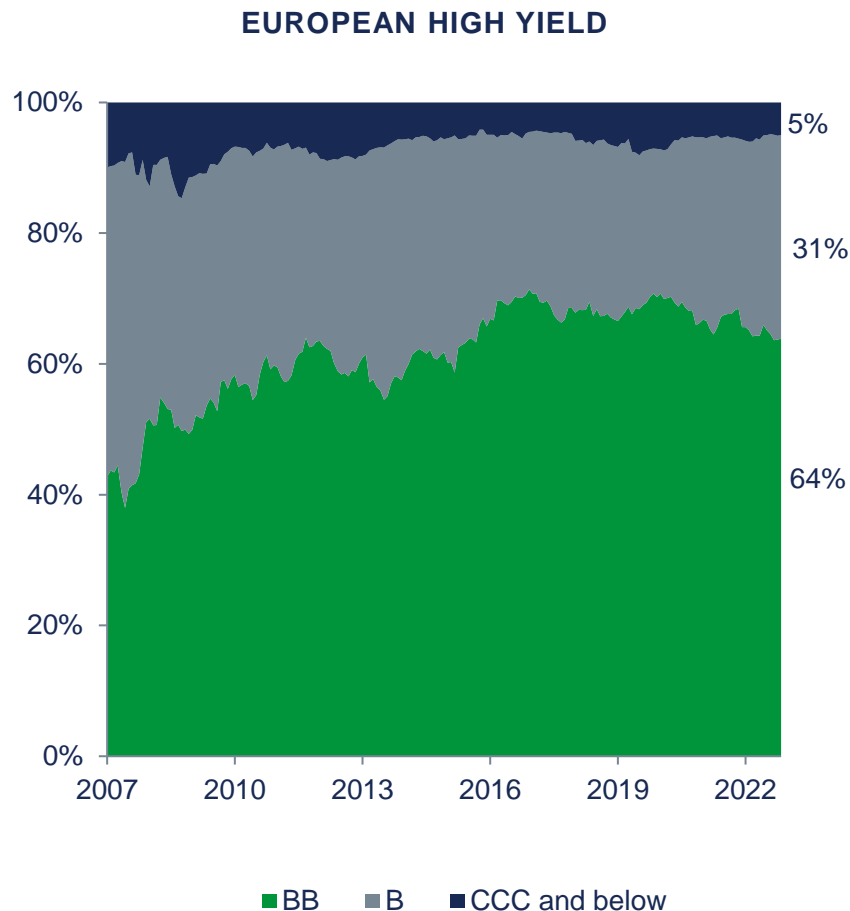
1. Source: JP Morgan. Market default rates are including distressed exchanges. As of September 30, 2023.

2. Source: Barings, Bloomberg and ICE. As of October 31, 2023.

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# Quality Composition of European and U.S. High Yield Bond Markets



***A much higher credit quality profile today vs. history***

Source: ICE BofA European Currency Non-Financial High Yield Constrained Index, ICE BofA US Non-Financial High Yield Constrained Index as at October 31, 2023

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# Regional High Yield Bond Market Comparison

	European HY Bond Market	U.S. HY Bond Market
<b>Sectors</b>		
<b>Top European</b>	384.6	1,172.9
Telecommunications	16.4	6.0
Automotive	11.2	4.2
Healthcare	8.5	8.6
<b>Top U.S.</b>		
Energy	3.4	13.2
Media	2.5	9.8
Leisure	4.3	9.0

<b>Selected Countries of Risk</b>		
U.S.	10.9	87.1
Eurozone	84.3	6.9
UK	16.7	2.8

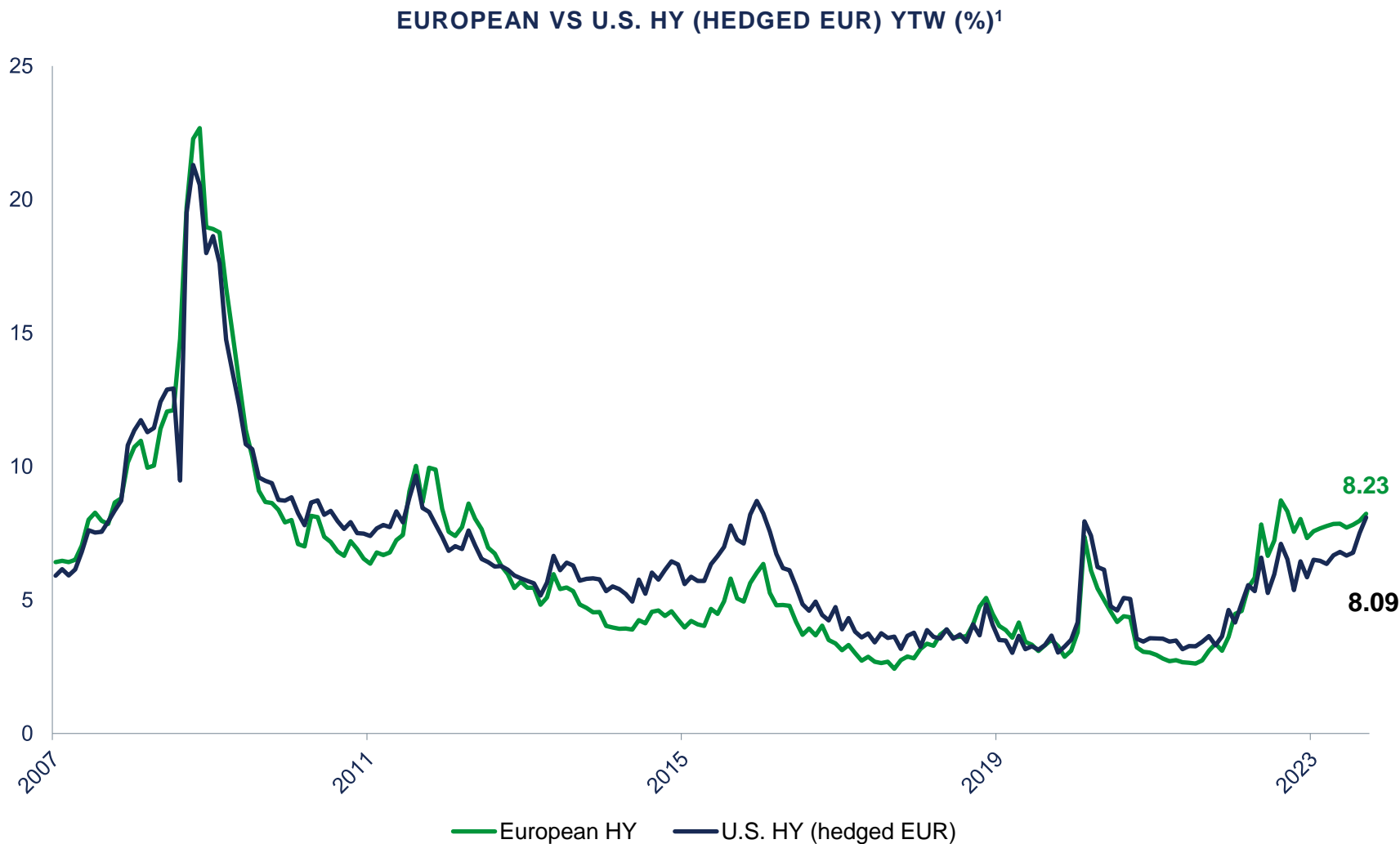
	European HY Bond Market	U.S. HY Bond Market
<b>Index Characteristics</b>		
Face Value (€B)	384.6	1,172.9
Full Market Value (€B)	337.5	1,026.7
# of Issues	664	1,699
Spread (OAS)	508	447
Effective Duration	3.0	3.7
Yrs to Maturity	3.7	4.9
Price	86.46	86.19
Average Rating	BB-	B+

<b>Ratings Breakdown (%)</b>		
BB	64	48
B	31	41
CCC	5	10
Average Rating	BB-	B+

Source: ICE BofA European Currency Non-Financial High Yield Constrained Index, ICE BofA US Non-Financial High Yield Constrained Index as at October 31, 2023

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# Yields in European HY are Greater Than Yields in U.S. HY on a Hedged Basis



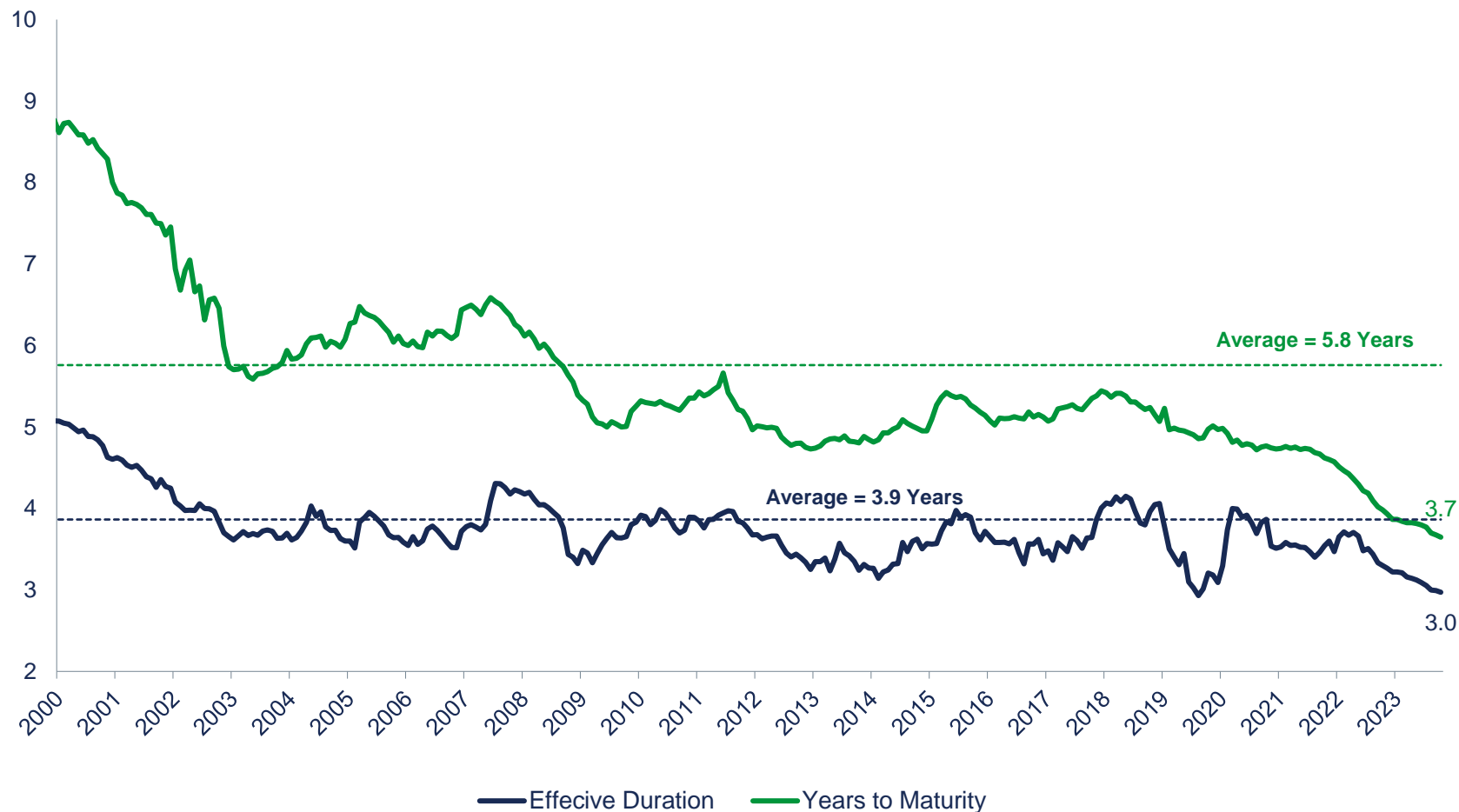
1. Source: Barings, Bloomberg and ICE. As of October 31, 2023.

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# Effective Duration & Years to Final Maturity Materially Lower

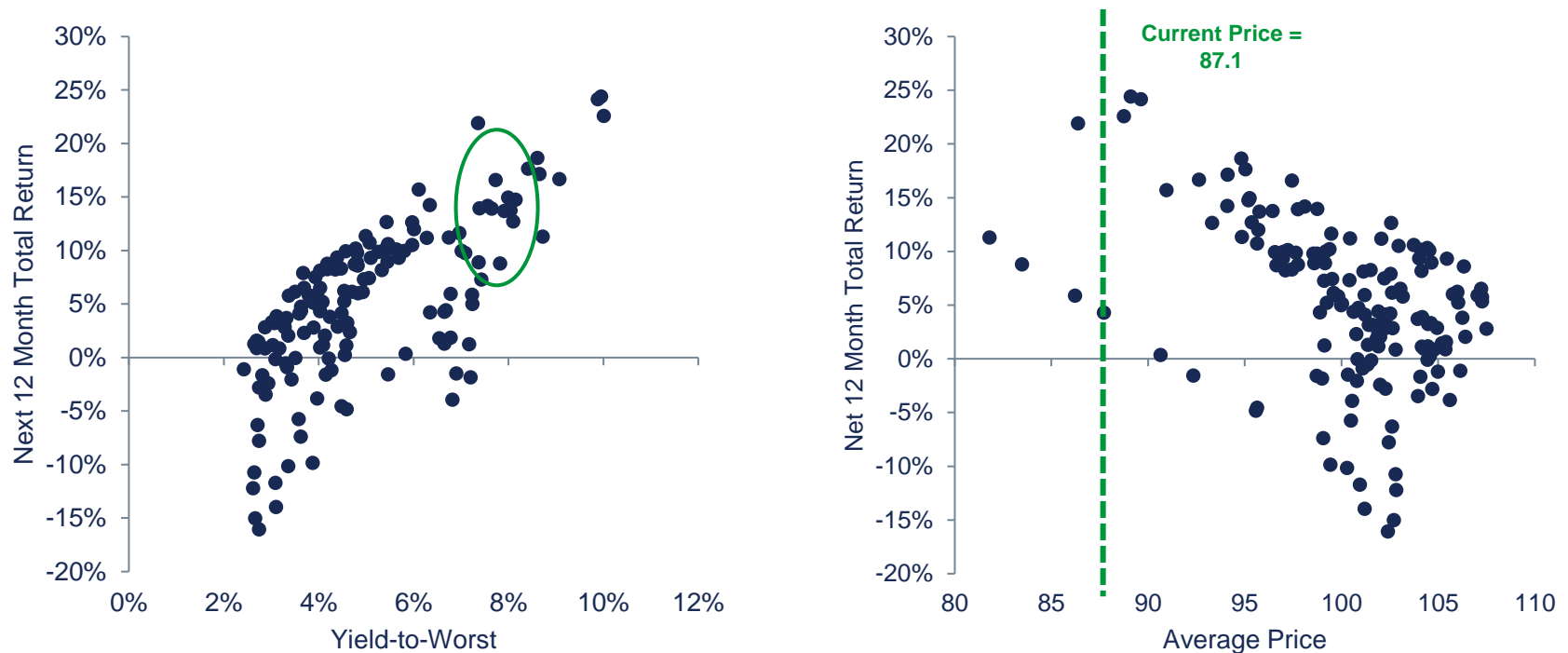
EUROPEAN HIGH YIELD EFFECTIVE DURATION AND YEARS TO FINAL MATURITY SINCE 2000<sup>1</sup>



1. ICE BofA European Currency Non-Financial High Yield Constrained Index, as at 31 October 2023.

# Elevated Yields & Discounted Prices: Strong Capital Appreciation Prospects

**YIELDS/PRICES NEAR CURRENT LEVELS ARE RARE HAVE HISTORICALLY LED TO STRONG DOUBLE-DIGIT NEXT 12 MONTH RETURNS**

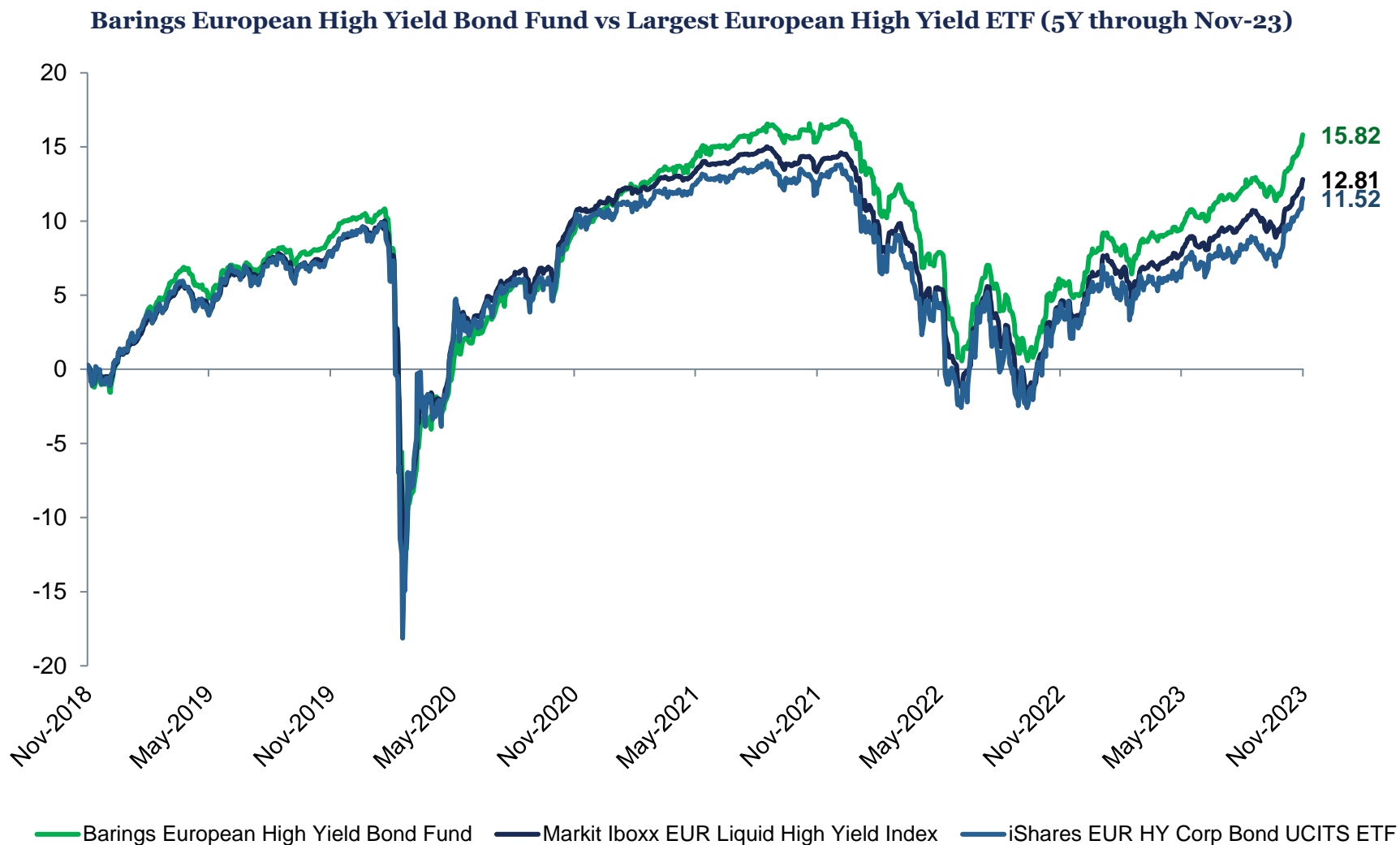


1. Source: ICE European Currency Non-Financial High Yield Constrained Index, hedged to Euro (HPID), ICE BofA Non-Financial Developed Markets High Yield Constrained Index; ICE BofA BB-B Global High Yield Secured Bond Index, Bloomberg Global Aggregate Credit Total Return Index; JP Morgan CEMBI Broad Diversified Index; JP Morgan EMBI Global Diversified Index, and FTSE WGBI Index. All returns shown on a EUR hedged basis. As of September 30, 2023.
2. Sources: Barings, ICE BofA and Bloomberg. As of September 30, 2023. European High Yield bond market represented by the BAML European Currency Non-Financial High Yield Constrained Index, hedged to Euro. Total return next 12 months represents the return for the index for the 12 months following the price as of each date. Time period shown is the start of 2010 to the end of 2022 using month-end values. For illustrative purposes only. This analysis is intended to demonstrate only the specific elements discussed. This analysis does not represent all of the elements and variables that could be factored into the potential outcome.

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# Five Year Performance - European HY Bond Fund vs Euro HY ETFs



Source: Bloomberg. As of November 30, 2023. Please note the performance are net of fees.

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# Implications for Investors



Contrary to forecasts, European High Yield has outperformed in 2023



Refinancing risks are contained



Market default rates lower than expected



High Quality market vs historical composition



Overall, European High Yield Bonds well positioned to generate attractive return—no need to reach



Forward return profile supported by elevated yields, discounted prices and short duration

# Appendix

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# European High Yield Bond Fund—Key Terms

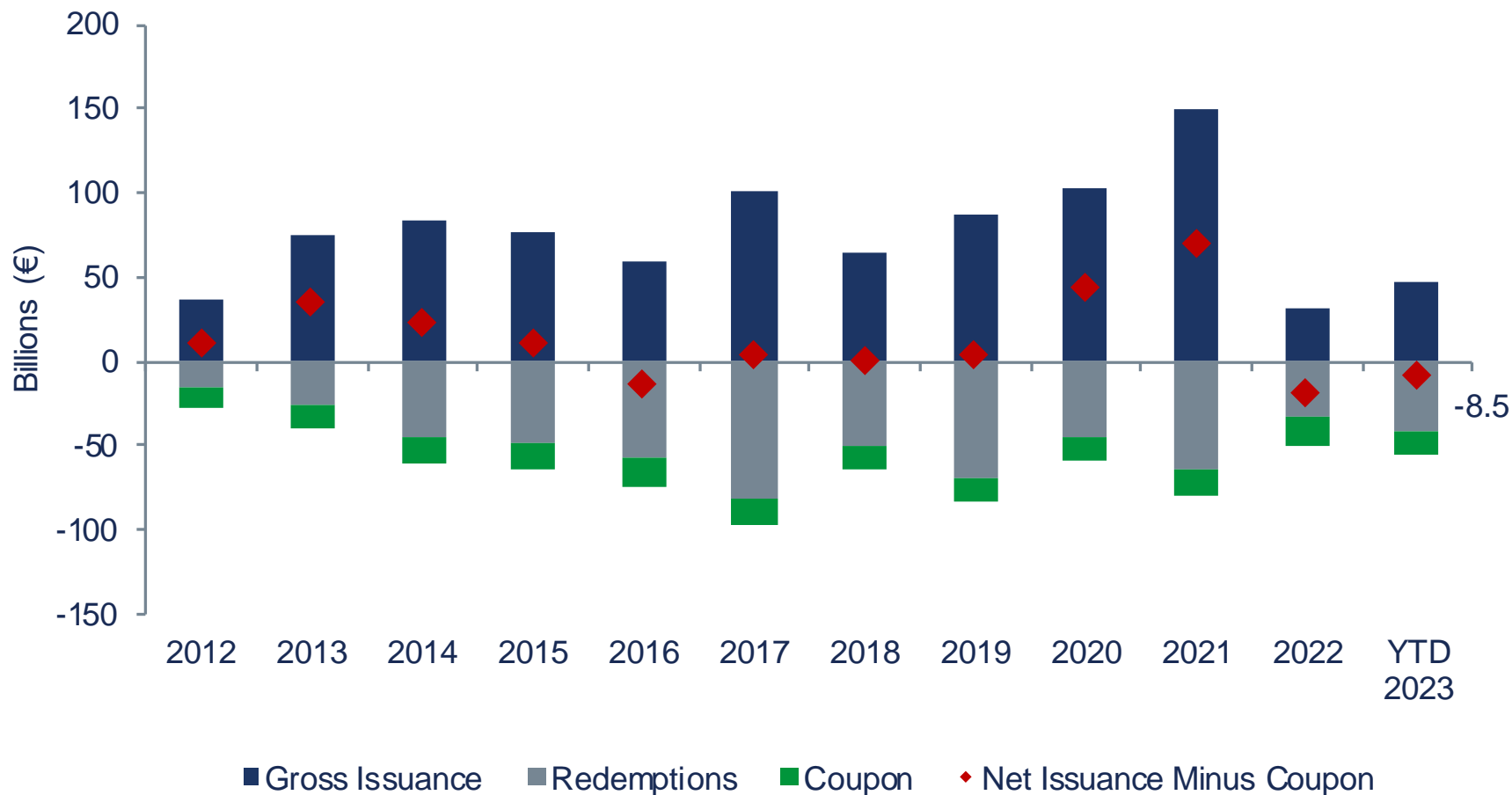
Fund Name	Barings European High Yield Bond Fund		
Umbrella Company Name	Barings Global Umbrella Fund plc		
Domiciled	UCITS compliant, Irish Investment Company with Variable Capital (ICVC)		
Custodian	State Street Custodial Services (Ireland) Limited		
Currency	EUR (USD, AUD, GBP, CHF, SEK, JPY, SGD, CAD, NOK, DKK hedged tranches available) Accumulating and distributing shares for each		
Liquidity	Daily <sup>1</sup>		
Reporting	<ul style="list-style-type: none"> <li>Daily NAV on the Irish Stock Exchange</li> <li>Monthly portfolio reports and commentary</li> </ul>		
Management Fees (currently available tranches)		<b>Management Fee</b>	<b>Minimum Investment</b>
	Tranche B	0.40% per annum	€37.5mm and above
	Tranche C	0.50% per annum	€7.5mm–37.5mm
	Tranche I <sup>2</sup>	0.60% per annum	€1mm–7.5mm
	Tranche E	1.00% per annum	€100k
Annual Expenses <sup>4</sup>	Capped at 20 bps per annum		

- Further details regarding the subscription and redemption process is available in the Fund Prospectus.
- Tranche I shares management fee includes an administration charge of 0.10% per annum.
- Annual expenses for the Barings European High Yield Bond Fund subject to the cap include but are not limited to the aggregate fees and expenses payable to the Fund's administrator and custodian, auditor, legal advisor and director fees, as well as fees and expenses for registration and maintaining registration with any governmental agency or stock exchange in Ireland and in any other country, portfolio currency hedging expenses, reporting and publishing expenses.

For further details, please see the Fund's prospectus and supplement. Any terms and conditions herein are qualified in their entirety by the provisions of the Fund documents which should be reviewed carefully before a decision to invest in a fund is made. Details correct as at the date set out on the front cover of this presentation unless otherwise stated.

# Demand-Supply Dynamics: Supportive Market Technicals

LOW SUPPLY LEVELS CONTINUE TO BE A SUPPORTIVE TECHNICAL FOR EUR HIGH YIELD IN 2023<sup>1</sup>



1. J.P. Morgan. As of September 30, 2023.

2. ICE BofA Euro Currency Non-Fin. HY Constrained Index (HPID). As of September 30, 2023.



# Attractive Next 12-Months Breakeven Return Characteristics

Current high income combined with short duration profile create historically high breakeven return levels

## EUROPEAN HIGH YIELD BREAK EVEN ANALYSIS

European High Yield Bond Market Metrics		Breakeven Return <sup>1</sup>	12-Month Look Forward	
			No Price Change	No Spread Change
Price	87.1	83.1	87.1	90.6
Coupon	4.0%	-	-	-
Yield To Worst	8.0%	12.0%	9.5%	8.0%
Spread To Worst	477	855	628	477
Mod Dur to Worst	3.1			
Next 12-Month Return		0%	5%	9%

Source: Bloomberg. As of September 30, 2023. European High Yield Bond market represented by the ICE BofA European Currency Non-Financial High Yield Constrained Index (HPID; Mod Dur to Worst = Modified Duration to Worst.

1. Breakeven spread widening calculated as Yield to Worst divided by Modified Duration to Worst.

For illustrative purposes only. This analysis is intended to demonstrate only the specific elements discussed. This analysis does not represent all of the elements and variables that could be factored into the potential outcome.

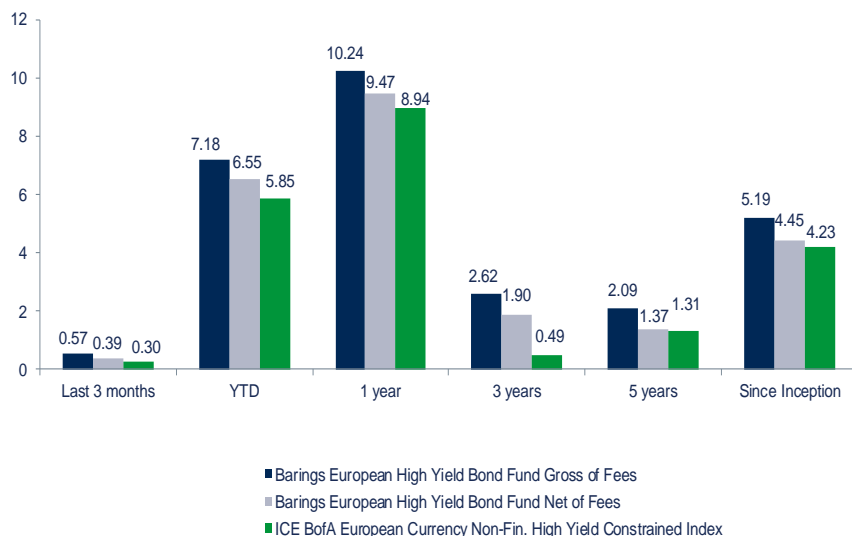
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

*For investment professionals only*

# European High Yield Bond Fund Characteristics

The Fund has outperformed its Index by 96 bps since inception (8 out of the 12 periods) driven by bottom-up, fundamental credit selection and active management

## Historical Performance vs. Benchmark (%)<sup>1,2</sup>



## Annual Performance vs. Benchmark (%)<sup>2</sup>

	BARINGS EUROPEAN HIGH YIELD BOND FUND GROSS OF FEES	BARINGS EUROPEAN HIGH YIELD BOND FUND NET OF FEES	ICE BofA EUROPEAN CURRENCY NON-FIN. HIGH YIELD CONSTRAINED INDEX	OVER/UNDER PERFORMANCE (GROSS OF FEES)
YTD 2023	7.18	6.55	5.85	1.33
2022	-9.60	-10.23	-11.71	2.11
2021	6.07	5.32	3.23	2.84
2020	0.48	-0.22	2.85	-2.37
2019	11.55	10.77	10.74	0.81
2018	-3.22	-3.89	-3.46	0.24
2017	6.50	5.75	6.16	0.34
2016	10.01	9.24	10.07	-0.06
2015	7.88	7.13	1.15	6.74
2014	3.72	2.99	5.25	-1.53
2013	11.61	10.83	8.97	2.64
2012	27.84	26.94	24.19	3.65

Source: Barings. As of October 31, 2023. Based on market value of invested assets. Currencies shown in EUR.

1. Fund inception date: May 31, 2011. For periods greater than one year, returns are annualized.
2. BAML European Currency Non-Financial High Yield Constrained Index, hedged to the Euro.
3. Source: Barings, Bloomberg. For illustrative purposes only. This is a static illustration using the current spot rate and 1 month forward rate over a 12 month period of the respective currencies in the portfolio. Other factors will also affect the cost of hedging.

Note: Effective June 30, 2022, the ICE Fixed Income Index reflects transaction costs. As a result, existing index level total return, price return and excess return fields have been adjusted to reflect the new methodology. All return information prior to June 30, 2022 has not been adjusted. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** An investment entails a risk of loss. Net performance reflects the deduction of fees and expenses based upon the highest institutional share class available. Please note that this does not reflect what a new investor will experience, as their returns will be reduced by the deduction of such fees and expenses of the applicable share class. For information purposes only and not a recommendation to buy or sell any securities shown. Information subject to change without notice.



## Craig Abouchar, CFA

### *Managing Director* Chris Ellis

Craig Abouchar is a member of Barings' European High Yield Investments Group and the European High Yield Investment Committee. He is also a voting member of the Global High Yield Allocation Committee. He is a lead portfolio manager for the firm's European High Yield Bond business and he is responsible for the portfolio management of numerous strategies. Craig has worked in the industry since 1994 and his experience has encompassed a focus on below-investment-grade assets across all investment types and geographic markets. Prior to joining the firm in 2016, Craig was Co-CEO, Europe of Castle Hill Asset Management. Prior to Castle Hill, he was a portfolio manager at Ignis Investment Management. Craig was also previously the chairman of the board of directors for the European High Yield Association. Craig earned a B.B.A. in Finance from Emory University and an M.B.A in Finance and International Business from Columbia University.



## Chris Ellis

### *Managing Director*

Chris Ellis is a member of Barings' European High Yield Investments Group and is responsible for the portfolio management of numerous strategies. Chris has worked in the industry since 2011. Prior to joining the firm in 2013, Chris worked for Deloitte in the Transaction Advisory Services team. Prior to this, Chris worked within Assurance Services, focusing on the Banking and Capital Markets sector. Chris qualified as a Chartered Accountant in 2011 and holds a B.Sc. (Hons) in Business Studies from the University of Warwick.