



INVESTMENT GRADE FIXED INCOME

# Income Navigator

January 2025

BARINGS OVERVIEW

# Who We Are

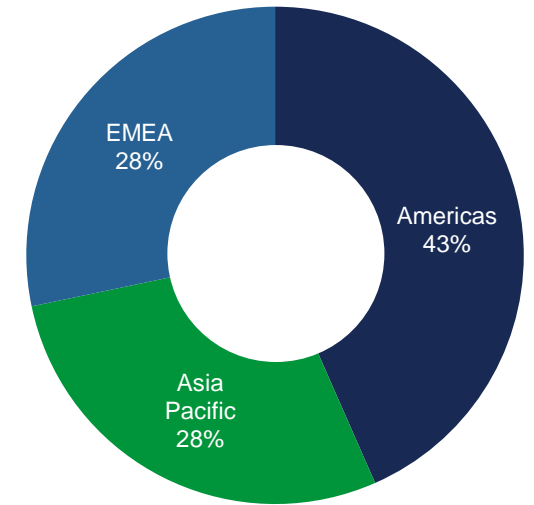
Barings is a global asset management firm that works with institutional, insurance and intermediary clients to provide excess returns across public and private markets in fixed income, real assets and capital solutions.



**\$431+ B**  
ASSETS UNDER MANAGEMENT

**1,300+**  
EXTERNAL CLIENTS

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



**1,900+**  
PROFESSIONALS GLOBALLY

1. Includes third party, external AUM only.  
All figures are as of September 30, 2024 unless otherwise indicated. Assets shown are denominated in USD. Percentages may not equal 100 due to rounding.

# The Global Economy Stands At a Crossroads

Six themes driving fixed income markets today

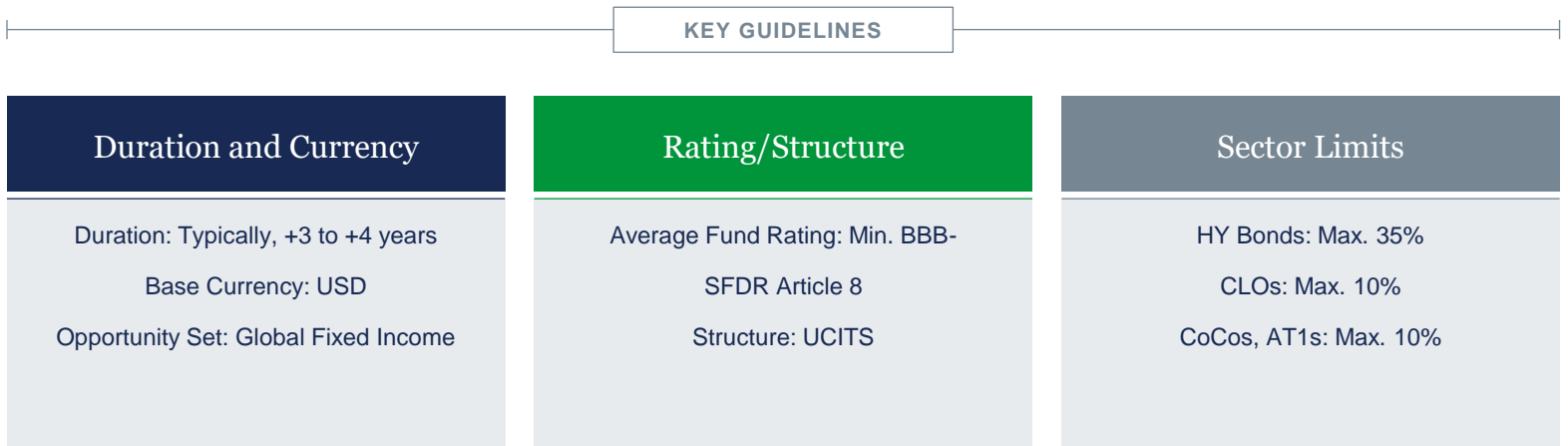
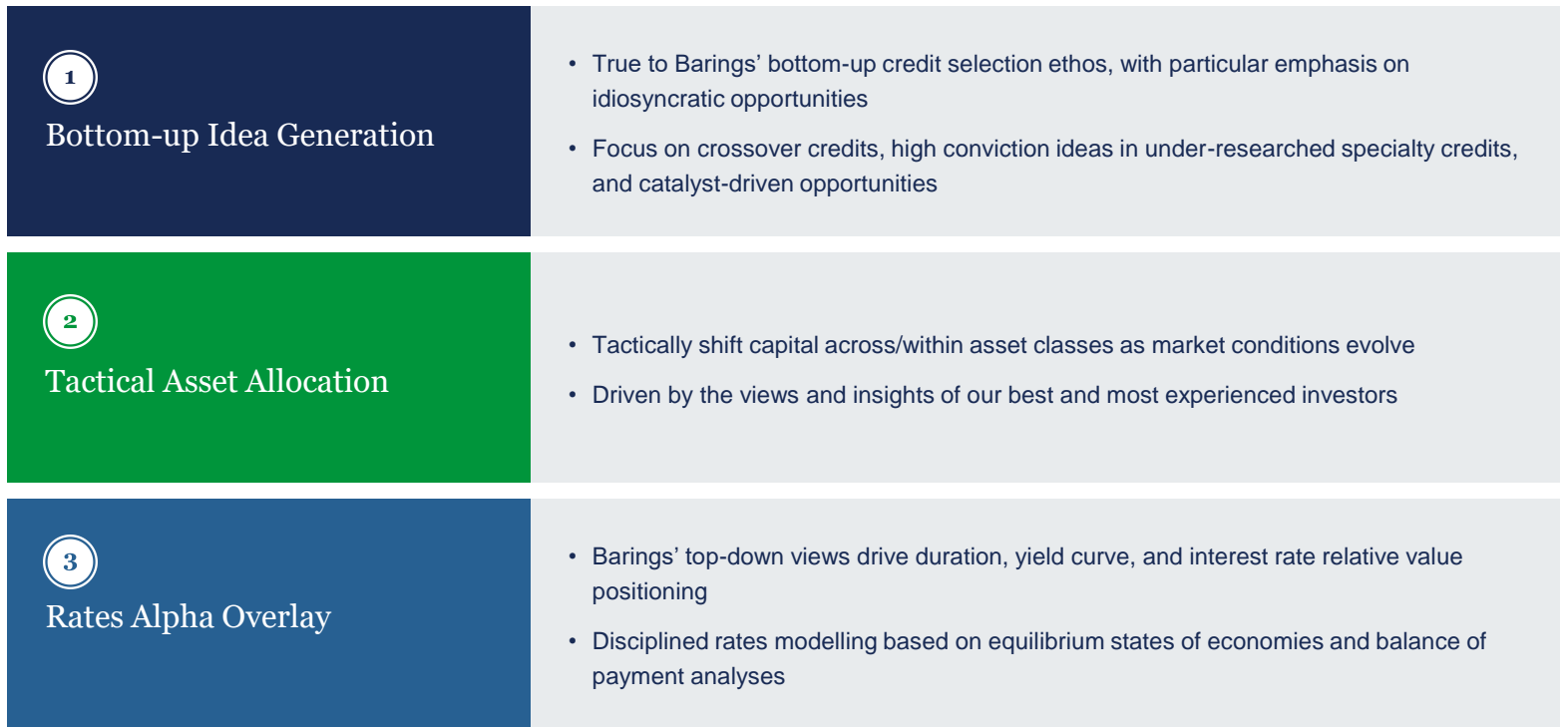
1	Soft landing	A SOFT LANDING IS LIKELY—BUT WE'RE NOT OUT OF THE WOODS YET
2	Sticky inflation	INFLATION MAY BE STRUCTURALLY HIGHER GOING FORWARD THAN IN THE PAST
3	Higher for longer	STICKY INFLATION AND RISING LEVELS OF GOVERNMENT DEBT SUGGEST THE NEUTRAL RATE WILL BE HIGHER IN FUTURE THAN IN THE PAST
4	See through the (geo)politics	GEOPOLITICAL RISKS DOMINATE HEADLINES AND THE LIST OF INVESTOR CONCERNS, BUT THE LONGER-TERM IMPACT ON MARKETS IS QUESTIONABLE
5	Appreciate the “margin of safety”	RESILIENT FUNDAMENTALS, HIGHER YIELDS AND THE NEGATIVE CORRELATION BETWEEN RATES AND SPREADS ALL PROVIDE A MARGIN OF SAFETY TO GLOBAL FIXED INCOME INVESTORS
6	Enjoy the income	AS COUPONS RESET VIA THE NEW ISSUE MARKET, THE INCOME IN FIXED INCOME WILL CONTINUE TO INCREASE AND HELP TO MAINTAIN THE ATTRACTIVENESS OF THE ASSET CLASS



## DISTINCT ALPHA LEVERS

# Income Navigator

Idiosyncratic credit ideas at the intersection of IG and HY markets blended with Barings' top-down views and active sector rotation



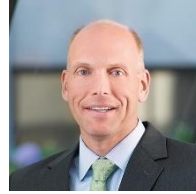
# Combines Some of Our Best Public Fixed Income Capabilities

Foundational strategies in the fund have top quartile performance and risk track records versus their peer groups

LEAD PORTFOLIO MANAGERS



**BRIAN PACHECO, CFA**  
Portfolio Manager, High Yield

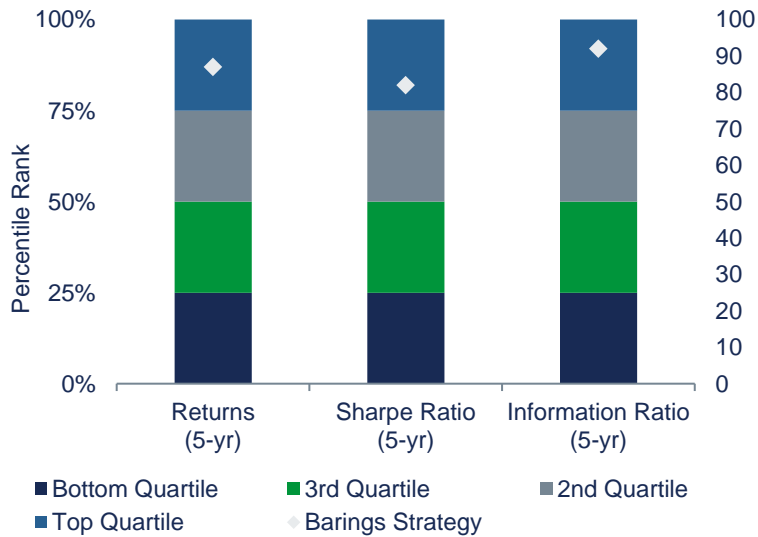


**STEPHEN EHRENBERG, CFA**  
Head of North American Investment Grade Corporate Credit

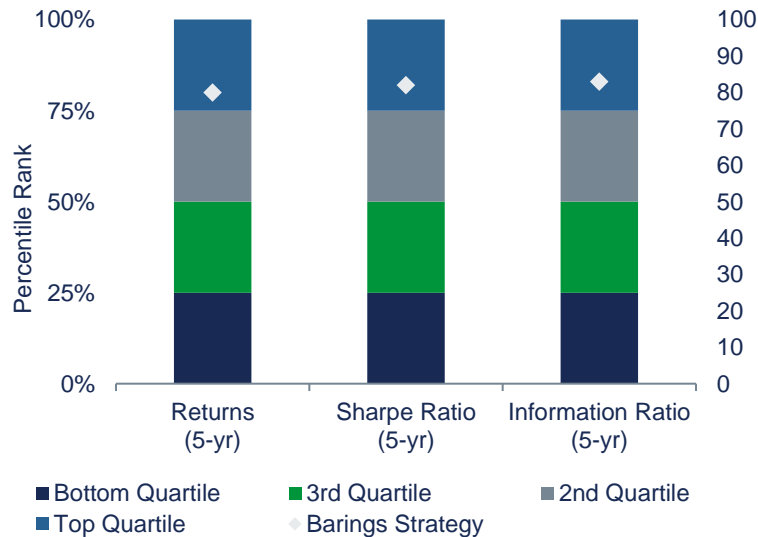


**RICARDO ADROGUÉ, PhD**  
Head of Global Sovereign Debt and Currencies

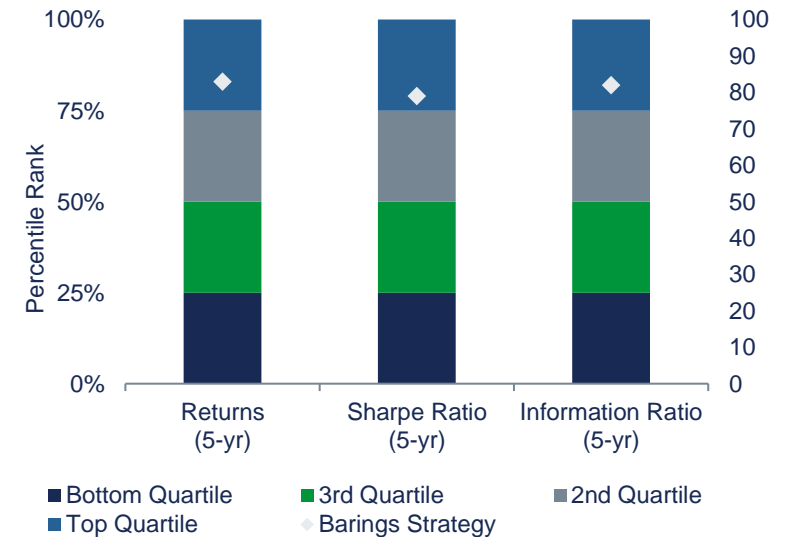
## High Yield Bonds



## Investment Grade Corporates



## Emerging Markets Debt



Evestment and Barings as of September 30, 2024. Representative strategies are: High Yield: Global High Yield Bonds; Investment Grade Corporates: US IG Corporates, Emerging Market Debt: EM Local Debt

# Investment Opportunity Set & Neutral Allocation

NEUTRAL ALLOCATION	
<b>INVESTMENT GRADE</b>	<b>75%</b>
CORE <i>IG Corporates</i>	50%
NON-CORE <i>EM Sovereign/Local Debt, Securitized, IG CLOs, IG EM Corporates</i>	25%
<b>SUB-INVESTMENT GRADE</b>	<b>25%</b>
CORE <i>HY Bonds</i>	15%
NON-CORE <i>HY EM Sovereign/Local Debt, HY CLOs</i>	10%

	LIQUIDITY	INCOME	SPREAD	DURATION <sup>1</sup>
IG CORPORATES	High	✓	Low	High
IG CLOs	Medium	✓	Medium	Low
SECURITIZED	Medium	✓	Medium	Varies
HY BONDS	Medium/High	✓	Medium/High	Medium
HY CLOs	Low	✓	High	Low
EM LOCAL DEBT	Medium/High	✓	Medium/High	High
EM SOVEREIGN	Medium/High	✓	Medium	High
EM CORPORATE	Medium/High	✓	Medium/High	Medium
CASH	High	✓		

1

**BOTTOM-UP IDEA GENERATION**

## Where Barings Adds Value in Global Credit Markets

We overlay four distinct inefficiencies in credit markets over a bedrock of high-quality corporate bonds

1

### “Under-Followed” Issuers

Focus on relatively smaller and first-time issuers, with limited sell-side coverage

2

### Catalyst-Driven Opportunities

Arising from bond tenders, liability management exercises, divestitures, management restructuring, M&A expectations

3

### Crossover Credits

Identifying “Rising Stars” and “Fallen Angels”

4

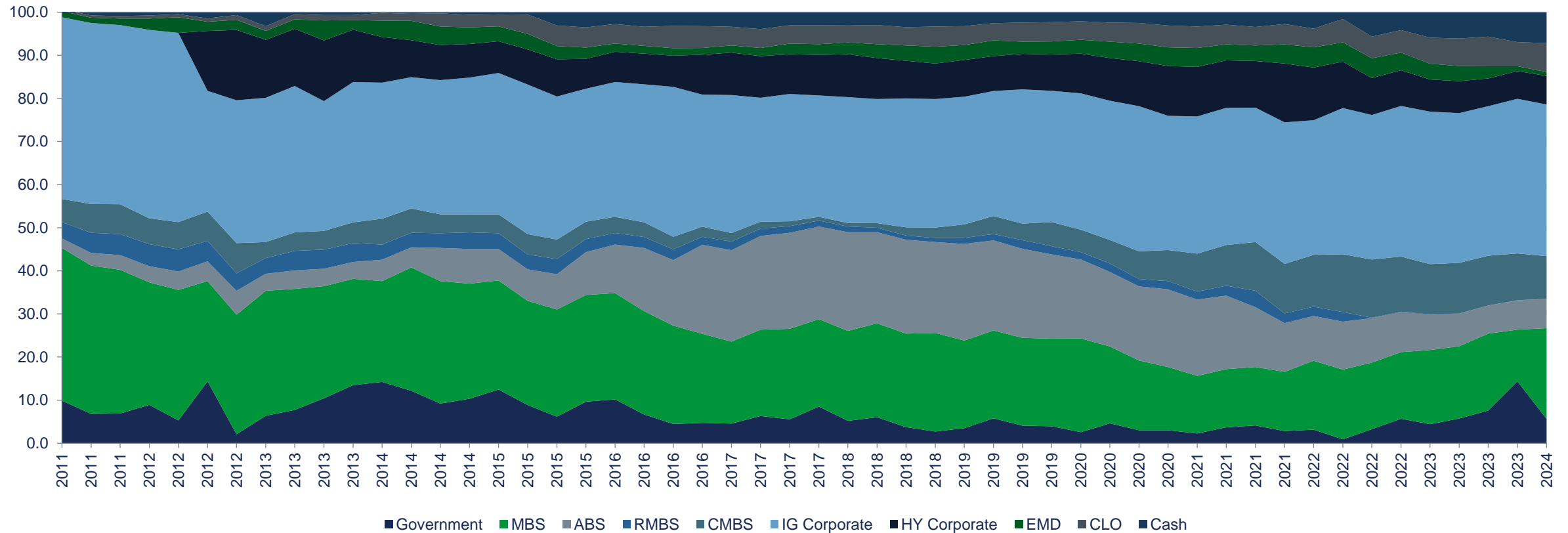
### Capital Structure Trades

CoCos, AT1's, AT2's. Primarily IG rated, senior to equity bonds in the capital structure

TACTICAL ASSET ALLOCATION

# Dynamic Asset Allocation in Action

Historically, about one-third of returns in our multi-sector fixed income portfolios have come from sector allocation



For illustrative purpose. Barings Core Plus Composite – Representative Account Asset Allocation

For investment professionals only



# Rates Alpha Overlay

## MACRO-ECONOMIC CYCLE ANALYSIS

- Fundamental country analysis
- Evaluation and forecasting business and monetary cycles
- Assessment of regional and global economic cycles
- Monitoring geopolitical cycles and potential risks

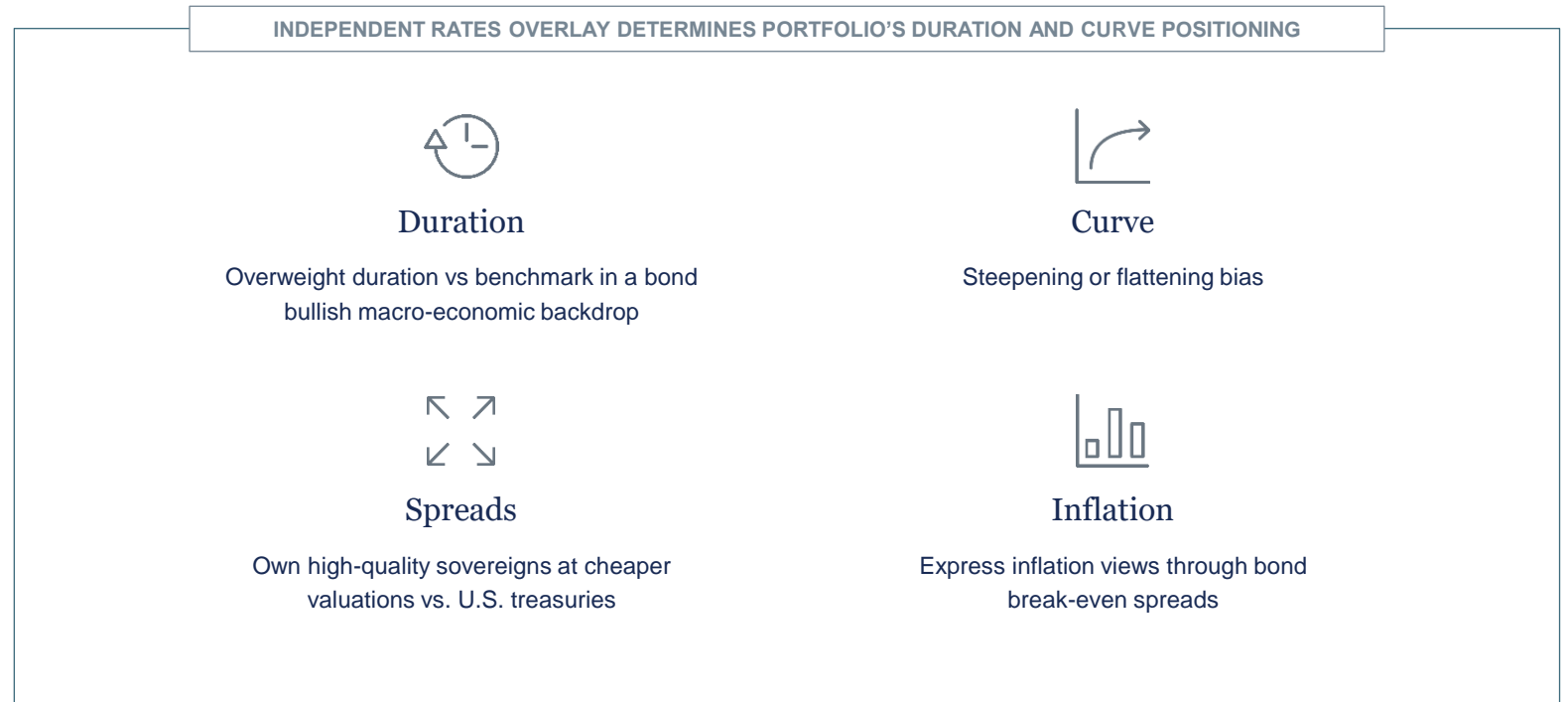
## INTEREST RATE MODELS

- Disciplined rates modelling based on equilibrium states of economies
- Fundamental country and monetary analysis to validate or supersede output

## PORTFOLIO CONSTRUCTION

- Ideation, discussion/debate and implementation
- Weekly portfolio stress tests based on yield curve model
- Weekly risk reporting

# Rates Alpha: Key Return Drivers

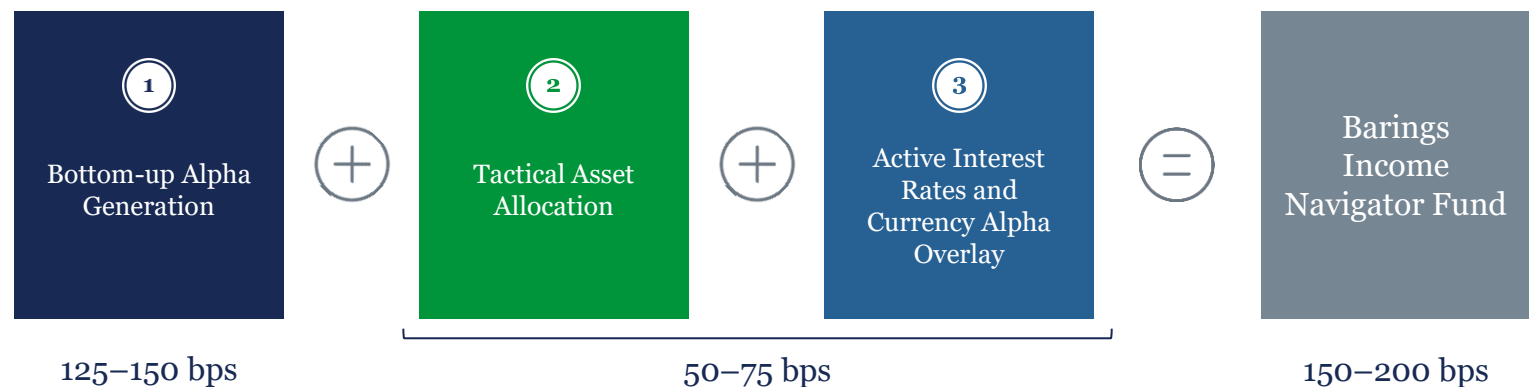


BOTTOM-UP IDEAS SELECTED INDEPENDENT OF REGIONAL, DURATION, CURVE AND CAPITAL STRUCTURE CONSIDERATIONS

US IG	Euro IG	US HY	Euro HY	CLOs	DM Sovereigns
Securitized Credit	EM Local Currency	EM Hard Currency	EM Corporates	Currencies	Agency MBS

# Portfolio Overview

## Expected Gross Alpha Breakdown<sup>1</sup>



## Asset Allocation Ranges



## Key Fund Data



Source: Barings as of January 8, 2024. 1. Barings Portfolio Solutions and Analytics Group study

# Investment Process

Allocation decisions supported by analytics combined with macroeconomic and fundamental views to evaluate relative value



→ **Income Navigator Fund**

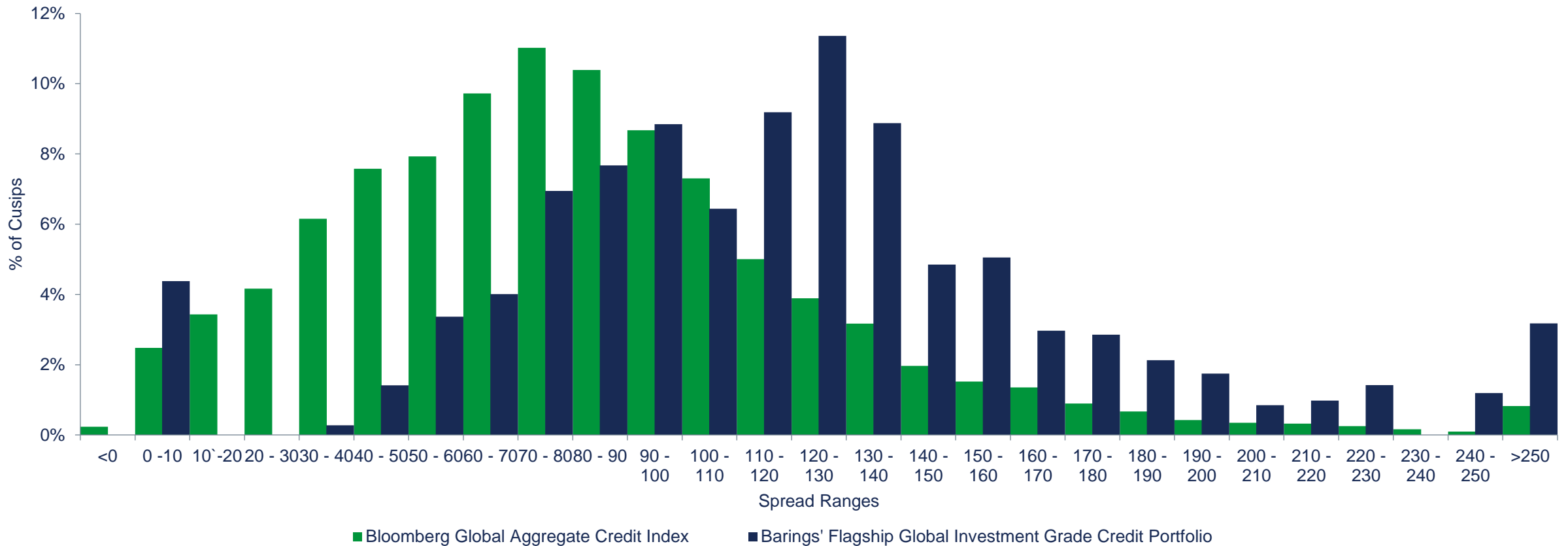
Source: Barings. For illustrative purposes only. As of October 31, 2024.

For investment professionals only

## Leveraging Our Credit Research to Extract Value in Under-Followed Issuers

150 issuers make up ~50% of the Global Aggregate Credit Index with the remainder spread across over 3,400 distinct issuers. We leverage our deep research capabilities to tilt the portfolio towards this segment of the market

Bloomberg Global Aggregate Credit Index Issuer Distribution by Spread

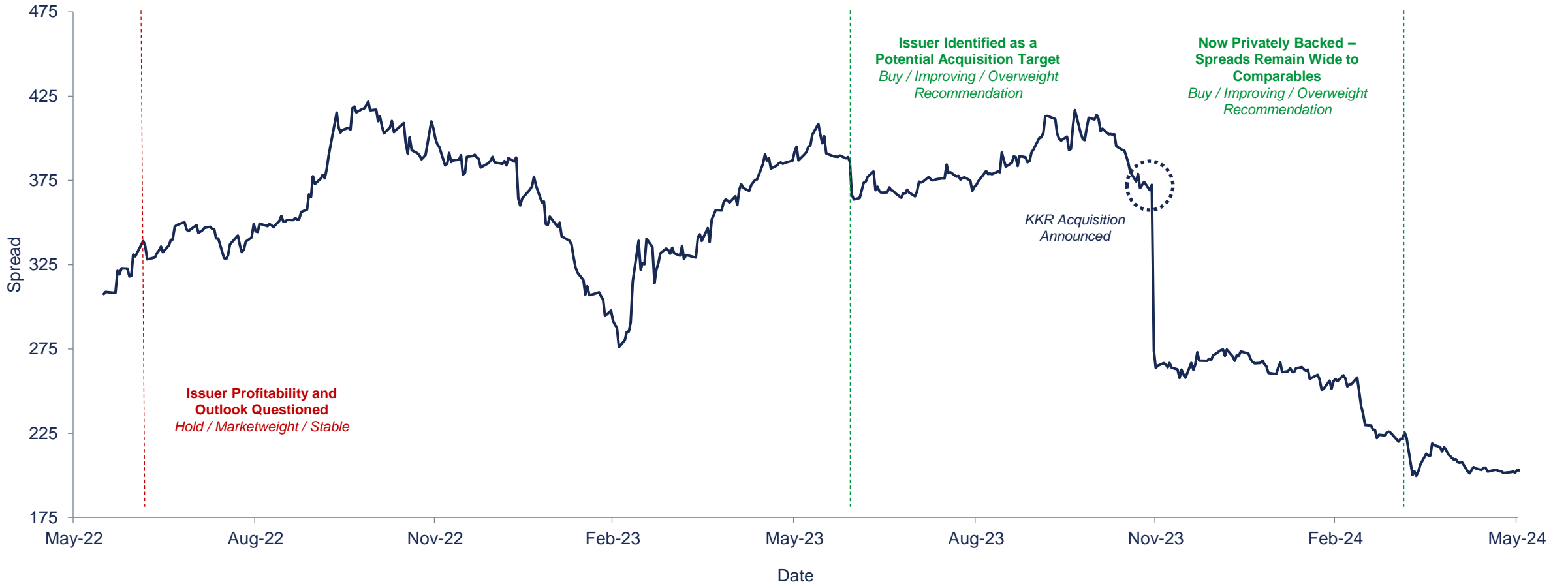


Source: Barings and Bloomberg as of December 31, 2024.

# Identifying Future Catalysts to Target Mis-Priced Credits

Example: Global Atlantic Financial Group, a small U.S. based Life Insurance we identified as a potential acquisition candidate in 2023

Global Atlantic Financial Group Bond Spread (bps)

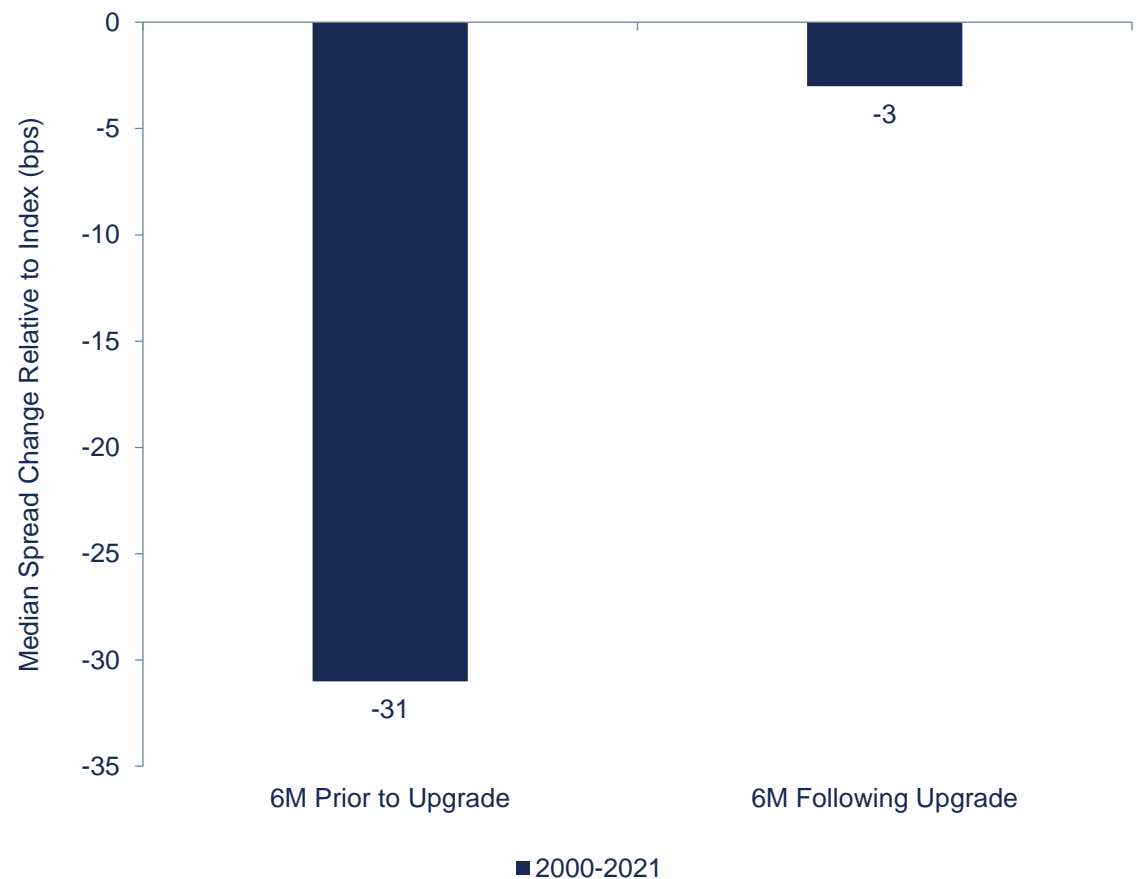


For Illustrative Purposes Only. Barings and Bloomberg as of May 31, 2024.

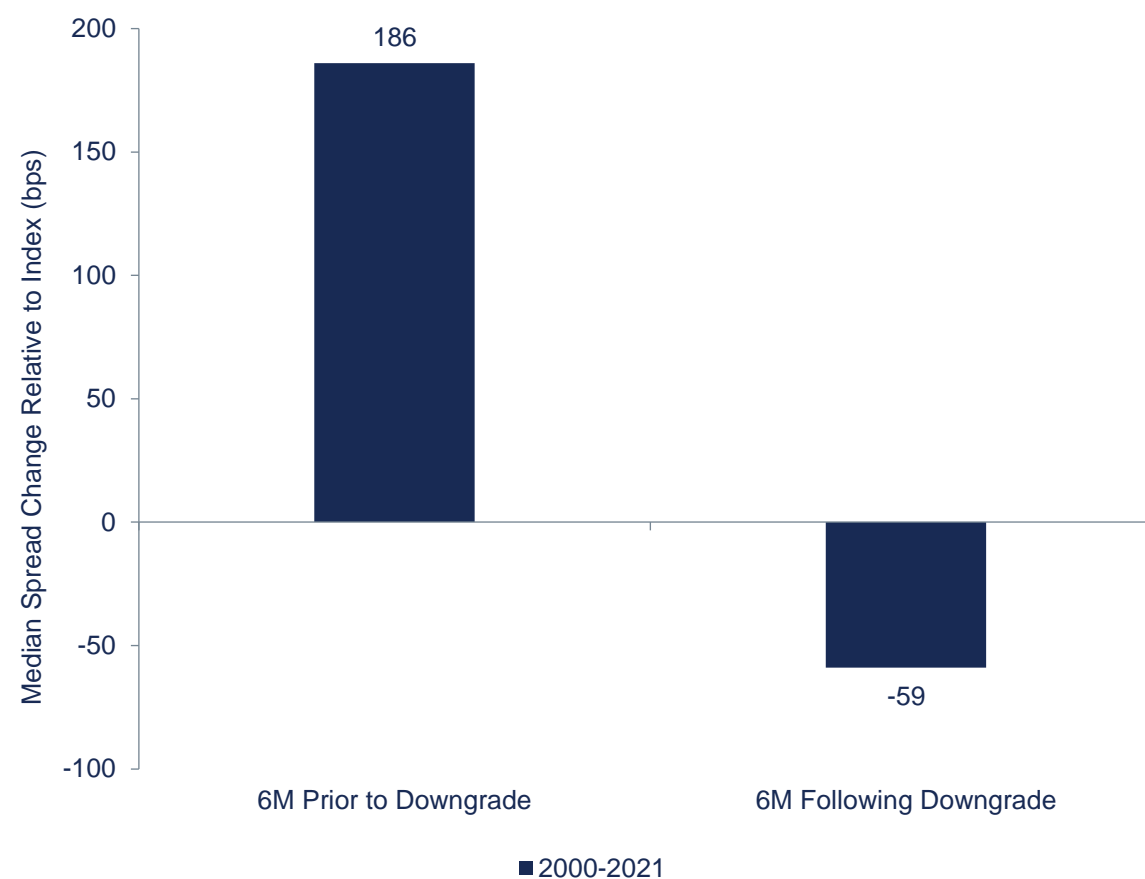
## Positioning Ahead of Ratings Transitions Can Increase Relative Returns

Utilising our credit research to identify fallen angels and rising stars in advance of the ratings action can enhance alpha

Rising Stars Significantly Outperform Prior to Upgrade

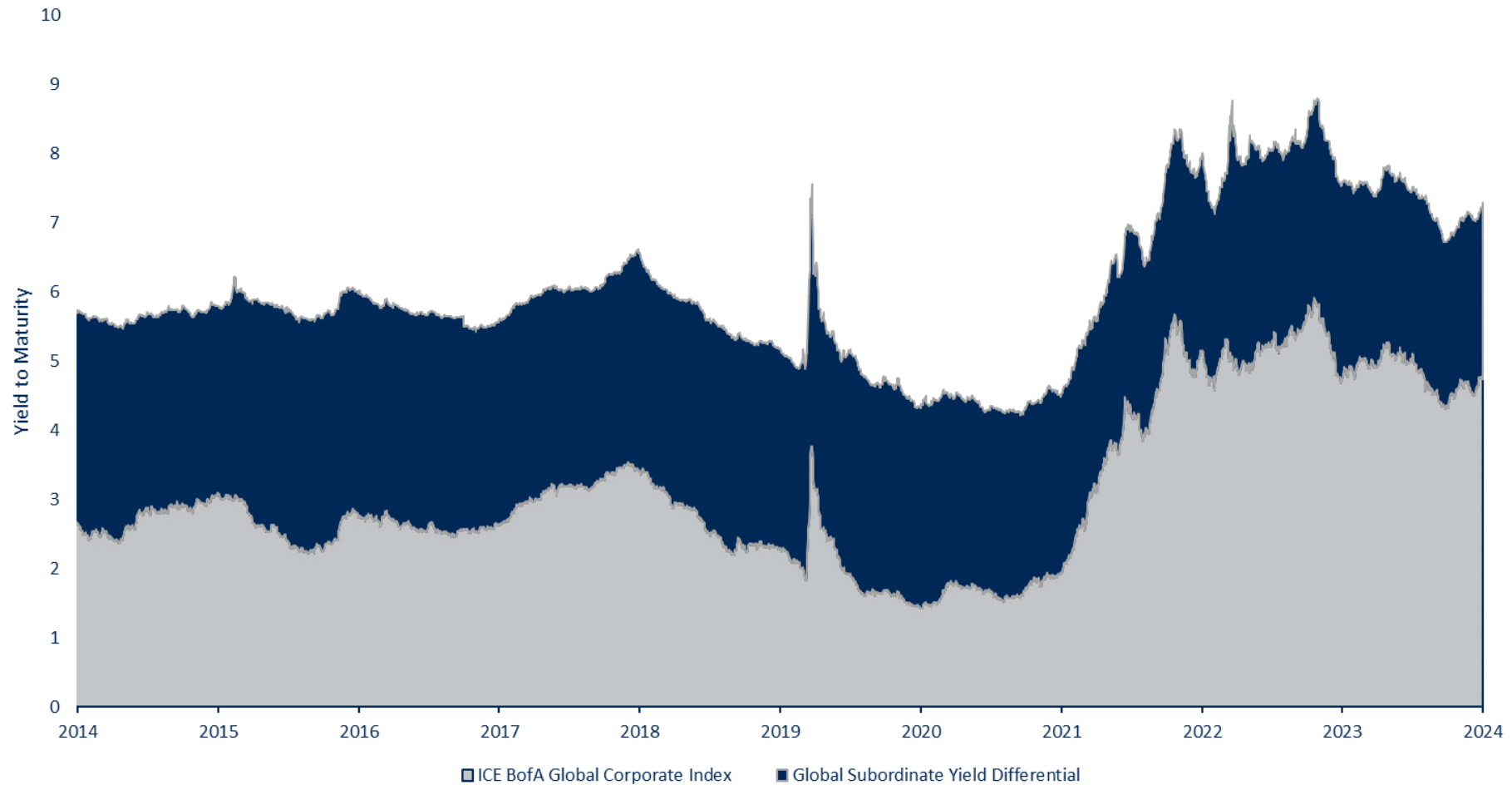


Fallen Angels Underperform Prior to Downgrade and Outperform Subsequently



## Subordinated Bonds of IG Issuers Can Increase Yield

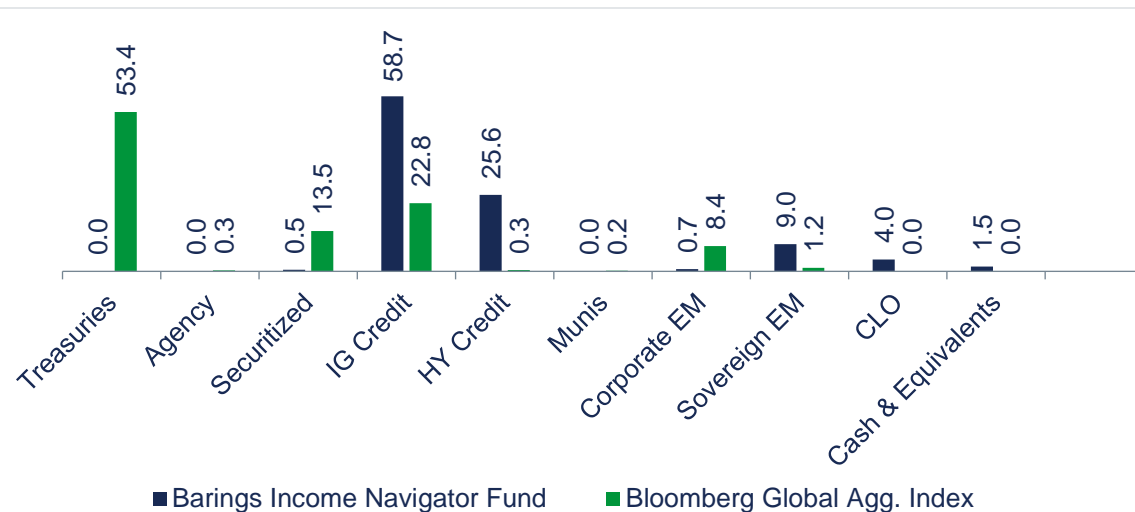
Global Subordinated Bonds have offered an average yield advantage of 2.87% over Global Corporate bonds for the past 10 years



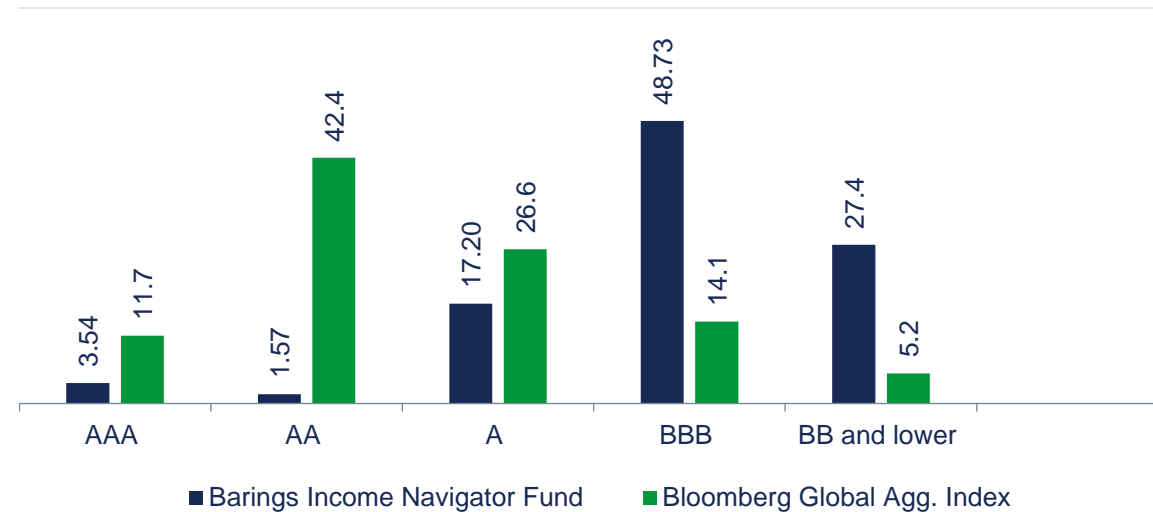
Source Bloomberg as of December 31, 2024: Global Preferred / Hybrid Custom index defined as 75% ICE BofA US All Capital Securities Index / 25% ICE BofA Contingent Capital Index. Global Corporate Bond index represented as ICE BofA Global Corporate Index.

# Income Navigator Fund: Current Portfolio Stratification

## Sector Breakdown (MV %)



## Quality Breakdown (%)



## Top Holdings

Security	Issuer	Instrument	FUND (%)
ALFL_24-1 A1 144A		IG CLO	1.4%
BRAZIL FEDERATIVE REPUBLIC OF (GOV		EM Sov.	1.1%
CIFC_17-4A A2R 144A		IG CLO	1.5%
HUNGARY (GOVERNMENT) RegS		EM Sov.	0.8%
INDONESIA (REPUBLIC OF) RegS		EM Sov.	1.6%
LIFEPOINT HEALTH 144A		HY Corp	0.8%
MEXICO (UNITED MEXICAN STATES) MTN		EM Sov.	1.6%
PERU (REPUBLIC OF)		EM Sov.	1.5%
POLAND (REPUBLIC OF)		EM Sov.	1.0%
ROMANIA (REPUBLIC OF) MTN RegS		EM Sov.	0.8%

## Characteristics

	FUND	BENCHMARK
Avg. Credit Quality	BBB-	AA-
Weighted Avg. Coupon (%)	5.84	1.78
Weighted Avg. Yield to Maturity (%)	6.26	4.79
Weighted Avg. Yield to Worst (%)	6.02	4.78
Option Adjusted Spread (bps)	187	34
Weighted Avg. Price (USD)	94.64	93.28
Duration	3.44	6.45

## Regional Exposure

	FUND	BENCHMARK
Asia Pacific	3.91	24.81
Europe	31.91	26.26
North America	58.29	45.24
Rest Of World	4.32	3.79
Cash & Equivalents	1.57	0.01

As of January 8, 2025. Please note that unless otherwise indicated, all data is based on Barings' internal values and calculations. For illustrative purposes only. No representation is made that the investment will incur a profit or loss.



## KEY TERMS

# Income Navigator Fund

<b>FUND NAME / STRUCTURE</b>	Income Navigator Fund / UCITS
<b>SFDR</b>	Article 8
<b>DOMICILED<sup>1</sup></b>	Ireland (Barings BUF)
<b>BASE CURRENCY</b>	USD
<b>MINIMUM INVESTMENT</b>	\$1 million
<b>SUBSCRIPTIONS / REDEMPTIONS</b>	Daily
<b>EARLY BIRD FEE</b>	<b>Management Fee of 15.0 bps per annum</b> Available for existing and new investors until the fund reaches \$300M and early bird investors that remain invested can make additional subscriptions at the same rate
<b>STANDARD MGMT. FEE</b>	>\$1 million <\$10 million 0.45% >\$10 million <\$50 million 0.30% >\$50 million 0.25%
<b>ANNUAL EXPENSES</b>	Capped at 10.0 bps per annum (excluding hedging costs and establishment costs).
<b>HEDGED TRANCHEs AVAILABLE</b>	EUR, GBP, AUD, CHF, DKK, NOK, SEK, CAD, JPY, SGD
<b>REPORTING</b>	Monthly portfolio update: We do a monthly NAV and management report. Audited annual reports: There is an annual audit and financial statements auditor is KPMG.
<b>NOTABLE GUIDELINES</b>	Below Investment Grade Rated exposure max of 35%, CLO max of 10%, Preferreds/CoCos max 10%,
<b>EXPECTED AVERAGE RATING</b>	BBB
<b>BENCHMARK</b>	Bloomberg Global Aggregate Bond Index
<b>PERFORMANCE OBJECTIVE</b>	Benchmark + 150 to 200 bps
<b>DISTRIBUTION SCHEDULE</b>	Accumulating & Quarterly Distributing Tranches available

For further details, please see the Fund's offering documents. 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.

# Appendix

# Income Navigator Fund—Performance Track Record

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



Annual Performance vs. Benchmark (%)<sup>1</sup>

	FUND (GROSS OF FEES)	FUND (NET OF FEES)	BLOOMBERG GLOBAL AGG. BOND INDEX
2024 YTD	8.47	7.96	0.47
2023	8.92	8.45	5.72
2022	-8.22	-8.62	-16.25
2021	1.27	0.82	-4.71
2020	0.53	0.08	9.20
2019	4.81	4.35	6.84
2018	1.67	1.22	-1.20
2017	2.95	2.50	7.39
2016	3.41	2.95	2.09
2015	1.58	1.13	-3.15

**Note: Fund's benchmark and investment guidelines changed on November 14, 2024**

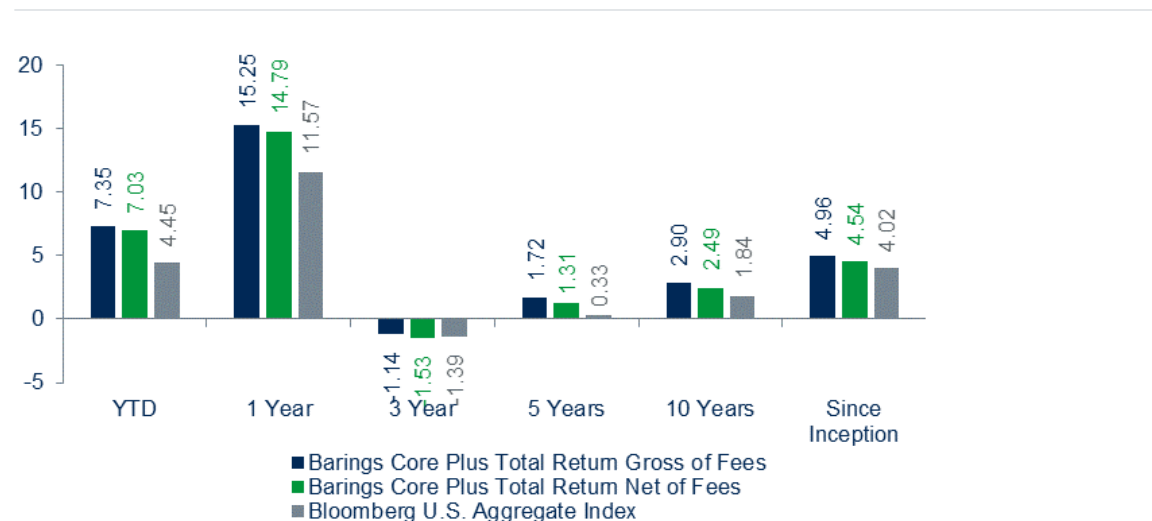
As of November 30, 2024.

Portfolio characteristics shown are that of a proprietary account, which is selected because it best represents the strategy discussed. For illustrative purposes only. Returns for periods greater than one year are annualized. Please review carefully the performance notes found in the Appendix of this presentation for important information regarding the above performance data. The data presented above is qualified in its entirety by the footnotes. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** No representation is made that the investment will incur a profit or loss.

For investment professionals only

# Core Plus Total Return Fixed Income Characteristics

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



## Annual Performance vs. Benchmark (%)<sup>1</sup>

	CORE PLUS TOTAL RETURN COMPOSITE (GROSS OF FEES)	CORE PLUS TOTAL RETURN COMPOSITE (NET OF FEES)	BLOOMBERG US AGGREGATE INDEX
2024 YTD	7.35	7.03	4.45
2023	7.54	7.11	5.53
2022	-16.35	-16.69	-13.01
2021	2.48	2.07	-1.54
2020	9.21	8.77	7.51
2019	11.35	10.90	8.72
2018	-0.56	-0.95	0.01
2017	5.59	5.17	3.54
2016	4.49	4.07	2.65
2015	-0.42	-0.82	0.55
2014	6.87	6.77	5.97
2013	0.22	0.12	-2.02
2012	8.94	8.83	4.21
2011	7.65	7.54	7.84

## Characteristics

	REP. ACCOUNT	BENCHMARK <sup>2</sup>
Yield to Maturity (%)	6.12	4.24
Option Adjusted Spread (bps)	208	35
Effective Duration	6.04	6.05
Spread Duration	4.64	3.51
Average Rating	A3 / A- / -A	Aa2 / AA / AA
Average Coupon (%)	4.91	3.37

## Top Sectors (% of MV)

	REP. ACCOUNT	BENCHMARK <sup>2</sup>
Government	3.94	44.85
MBS	24.38	25.37
ABS	6.72	0.48
RMBS	2.54	0.00
CMBS	8.13	1.51
Investment Grade Corp.	33.46	25.01
High Yield Corp.	10.21	0.00
Sovereign EM	0.11	1.01
Corporate EM	0.74	1.77
CLO	8.96	0.00
Cash	0.80	0.00

## Quality Distribution (% of NAV)

	REP. ACCOUNT	BENCHMARK <sup>2</sup>
AAA	34.27	3.29
AA	6.57	72.31
A	11.85	11.46
BBB	36.34	12.51
BB and lower	10.18	0.43
Cash	0.80	0.00

As of September 30, 2024

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Inception June 1, 1999. Benchmark - Bloomberg U.S. Aggregate Index.

# Core Plus Fixed Income: Representative Performance Attribution History

## Interest Rate and Spread Advantage

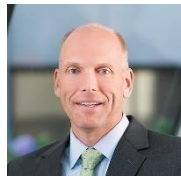
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
<b>Interest Rates</b>	<b>27.0</b>	<b>4.3</b>	<b>27.3</b>	<b>8.8</b>	<b>2.3</b>	<b>2.6</b>	<b>7.6</b>	<b>-6.4</b>	<b>-2.4</b>	<b>2.8</b>	<b>-3.4</b>	<b>-36.3</b>	<b>2.0</b>
Duration	26.6	-0.8	-3.6	12.1	-0.5	1.5	8.2	-2.2	-3.5	5.0	-3.9	-21.5	7.0
Curve	0.4	5.1	30.9	-0.3	2.3	1.1	-0.6	-0.7	-9.7	-1.3	0.1	-4.8	-5.0
Currency	0.0	0.0	0.0	-3.1	0.5	0.0	0.0	-3.5	10.8	-0.9	0.4	-10.0	0.0
<b>Spread Advantage</b>	<b>447.3</b>	<b>219.9</b>	<b>63.4</b>	<b>-109.5</b>	<b>176.1</b>	<b>205.0</b>	<b>-63.1</b>	<b>270.2</b>	<b>172.7</b>	<b>399.4</b>	<b>-330.7</b>	<b>237.3</b>	<b>321.0</b>
Security Selection	356.7	250.8	47.2	-57.2	126.6	186.6	22.1	157.0	678.6	270.8	-283.0	162.3	278.0
Sector Allocation	90.6	-30.9	16.2	-52.3	49.5	18.4	-85.2	113.2	-505.9	128.6	-47.7	75.0	43.0
<b>Total</b>	<b>474.3</b>	<b>224.2</b>	<b>90.7</b>	<b>-100.7</b>	<b>178.4</b>	<b>207.6</b>	<b>-55.4</b>	<b>263.8</b>	<b>170.3</b>	<b>402.2</b>	<b>-334.1</b>	<b>201.0</b>	<b>323.0</b>

## Spread Advantage Breakdown

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
<b>Liquid Products</b>	<b>86.8</b>	<b>46.1</b>	<b>22.4</b>	<b>13.1</b>	<b>57.4</b>	<b>68.1</b>	<b>-24.0</b>	<b>51.4</b>	<b>3.4</b>	<b>31.6</b>	<b>-27.2</b>	<b>3.6</b>	<b>26.0</b>
Treasury	76.4	41.7	21.4	14.1	54.4	66.2	-22.7	49.3	0.8	30.6	-26.5	3.0	26.0
Agency	10.4	4.4	1.0	-1.0	3.0	1.9	-1.3	2.1	2.6	0.1	-0.7	0.6	0.0
<b>Securitized</b>	<b>149.4</b>	<b>48.8</b>	<b>17.3</b>	<b>8.7</b>	<b>23.0</b>	<b>44.3</b>	<b>57.1</b>	<b>-21.8</b>	<b>-38.6</b>	<b>170.0</b>	<b>-192.3</b>	<b>59.3</b>	<b>143.0</b>
MBS	27.1	-22.3	7.0	3.3	17.6	9.2	-1.1	-11.7	43.9	4.3	25.0	5.3	13.0
ABS	-0.3	13.1	8.2	-1.8	5.4	32.5	57.5	-13.3	-45.2	104.4	-87.4	39.6	44.0
Non-Agency	75.5	32.7	-1.9	5.8	1.5	1.5	2.0	0.3	-2.2	11.0	-46.4	23.6	33.0
CMBS	47.1	25.3	4.0	1.4	-1.5	1.1	-1.3	2.9	-35.1	50.3	-83.5	-9.2	53.0
<b>Credit</b>	<b>313.4</b>	<b>229.4</b>	<b>17.5</b>	<b>-177.6</b>	<b>91.0</b>	<b>104.0</b>	<b>-99.9</b>	<b>246.8</b>	<b>185.3</b>	<b>200.7</b>	<b>-125.9</b>	<b>220.9</b>	<b>183.7</b>
IG Corporate	117.3	52.0	12.6	-19.8	37.5	61.0	-41.3	134.4	98.2	105.2	-61.0	173.2	121.0
High Yield	148.1	110.0	-28.0	-55.7	46.1	42.7	-48.1	99.7	76.1	87.3	-49.3	16.6	48.0
Sovereign	0.0	0.0	-1.3	-1.8	5.4	5.5	-4.9	7.8	-0.1	-0.7	-3.5	1.9	-0.3
Convertible	3.3	60.2	39.3	-99.2	3.4	0.8	-1.8	-1.1	2.3	10.7	-4.6	-1.5	0.0
Muni	13.4	-0.8	-0.7	-0.2	-0.8	-2.5	-0.7	0.4	-1.2	-3.5	0.4	-2.2	0.0
CLO	31.3	8.0	-4.4	-0.9	-0.6	-3.5	-3.2	5.6	10.0	1.7	-7.9	32.9	15.0
<b>Other</b>	<b>-98.2</b>	<b>-101.0</b>	<b>8.2</b>	<b>48.8</b>	<b>12.6</b>	<b>-3.0</b>	<b>2.8</b>	<b>-2.9</b>	<b>23.8</b>	<b>2.6</b>	<b>18.1</b>	<b>-46.3</b>	<b>-29.7</b>
<b>Cash</b>	<b>-4.1</b>	<b>-3.4</b>	<b>-2.0</b>	<b>-2.5</b>	<b>-7.9</b>	<b>-8.4</b>	<b>0.7</b>	<b>-3.4</b>	<b>-1.2</b>	<b>-5.5</b>	<b>-3.4</b>	<b>-0.2</b>	<b>-2.0</b>
<b>Total</b>	<b>447.3</b>	<b>219.9</b>	<b>63.4</b>	<b>-109.5</b>	<b>176.1</b>	<b>205.0</b>	<b>-63.1</b>	<b>270.2</b>	<b>172.7</b>	<b>399.4</b>	<b>-330.7</b>	<b>237.3</b>	<b>321.0</b>

As of September 30, 2024. Portfolio characteristics shown are that of a proprietary account, which is selected because it best represents the strategy discussed. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

# Speaker Biography



## Stephen Ehrenberg, CFA

### MANAGING DIRECTOR

Stephen Ehrenberg is a portfolio manager and Head of North American Investment Grade Credit for Barings' Investment Grade Fixed Income Group. Steve has worked in the industry since 2002 and his experience has encompassed portfolio management and credit analysis for both investment grade and high yield corporate credit. Prior to joining the firm in 2004, he worked in capital markets at MassMutual as part of the firm's executive development program. Steve holds a B.S. in Mechanical Engineering from the United States Military Academy at West Point (Phi Beta Kappa), an M.B.A. from the University of Michigan Business School (High Distinction) and is a member of the CFA Institute. Prior to attending business school, Steve served as a Captain in the U.S. Army, where he held numerous leadership positions and graduated from both Airborne and Ranger School.

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