

Portfolio Strategy

The fund aims to achieve long-term total return through investment in a diversified portfolio of EM local currency-denominated debt securities. Its target objective is to outperform the JPMorgan GBI-EM Global Diversified Index by 200-300bps per annum. The "Rates" investment universe is currently of around 25 countries, whereas the "Currency" universe is upwards of 70 currencies.

Key Features

Asset Manager	Baring Intl Fund Mngrs (Ireland) Ltd
Net Assets Value	1 407 (Mn US Dollar)
Inception Date	21.11.2017
UCITS	Yes
Base Currency	US Dollar
Liquidity	Daily
Share Class*	US Dollar Acc
Management Fees* (%)	0,65%
Performance Fees	No
CH Registered	Yes
Yield to Worst	8.3
Effective Duration	6.2
Average Rating	BBB

Portfolio Style

Duration Management	Passive	Active
Issuer Type	Corporate	Sovereign
Credit Quality	HY	IG
Regional Exposure	DM	EM
Currency Exposure	Hedged	Non-Hedged
Investment Process	Bottom Up	Top Down

Investment Rationale

Active strategy. Rates and currencies exposures can substantially deviate from the benchmark. Moreover, the portfolio manager can also invest outside of the JPMorgan GBIEM – Global Diversified Index when appropriate. However, due to the well-defined strategy guidelines, we are considering this strategy as a core allocation for an emerging markets (EM) local currency exposure.

Investment Philosophy

- **Differentiated analysis between interest rates and currencies:** the economic cycle determines the interest rate positioning, while economic competitiveness defines exposure to currencies.
- **DGSE and fundamental analysis for the rates:** the foundation of local debt country analysis is a proprietary Dynamic Stochastic General Equilibrium Model (DGSE). This tool is a model like those used by Central Banks and the IMF. Fundamental macro analysis is used to check or supersede DGSE output.
- **REER and Balance of Payment for currencies:** for currencies, the team measures the Export Penetration Real Effective Exchange Rate (REER) and pair the outcomes with their country-by-country balance of payment analysis.
- **Portfolio construction:** position sizing result from the difference between a country's yield curve and its theoretical yield curve calculated by the DGSE.

Fund Management Team

Barings is a newcomer in managing EM strategies. They however decided to invest in a large and experienced team. The team is made up of 19 investment professionals with 14 years average investment experience. The team is led by Ricardo Adrogué who is managing the local currency strategy since launch. Ricardo worked previously at Wellington Management, where he built a successful track record in EM debt, and at the IMF. Cem Karacadag, is the backup manager. The two PMs are backed by 4 sovereign analysts and 1 dedicated trader.

Strengths

- **Rate and currency management split:** rates and currencies are actively and separately managed, based on the idea that they are both reacting to various factors. As a result, Barings' uses two quantitative proprietary tools and macroeconomic research to analyse rates and currencies, resulting into a distinctive allocation for both elements.
- **New asset class approach:** Barings heavily invested in a large and experienced team when they launched the EM strategies. We like the way they started to invest in the asset class, first by gathering a strong team, then building a track record, and finally commercialising the strategies, not the other way around. Renowned for their credit strategies, Barings has the ambition to build a new centre of expertise in EM.
- **Size:** by managing "only" USD 5bn AuM in the different EM strategies, including USD 1.1bn in local debt, we believe they have the perfect size to generate value, considering that the alpha is often generated at the early strategy's life stage.
- **Performance:** although it is short, the track record has been very strong since inception both, in absolute, and in risk adjusted terms. The fund is beating its benchmark every calendar year and is comfortably standing first decile versus its competitors.

Weaknesses

- **Tracking error:** although the fund is actively managed, the fund manager could express his views with a little bit more of conviction.

	1M	YTD	2024	2023	2022	3Y (Ann.)	5Y (Ann.)	Sharpe Ratio 3Y	Volatility 3Y	Max Drawdown 3Y
Fund	1,63	8,08	-3,21	15,23	-8,39	6,36	2,25	0,18	11,83	-11,45
Index	1,42	8,77	-2,98	12,08	-11,08	5,22	0,77	0,09	10,13	-10,55

*ISIN Code: IE00BKZGL873. ISIN used for performance: IE00BKZGK917 Performance data source: Morningstar Direct. Key Points provided by Wealth Solutions Partners SA. - Past performance should not be seen as an indication of future performance. Index: iShares JPMorgan EM Lcl Govt Bd ETF\$Acc. Data as of: 31.05.2025

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