

INSURANCE ASIA NEWS

Institutional Asset Management Awards
2023



Best Global Fixed Income Manager Best Real Estate Fund Manager

Barings

Consistent outperformance across market cycles, driven by fundamental bottom-up analysis conducted by over 70 credit research analysts.

Fixed income asset classes faced a difficult backdrop of elevated inflation, rising interest rates and increasing geopolitical tensions in 2022. As such, fixed income fund managers needed to be flexible in identifying and capitalising on relative value opportunities as they arose.

With \$279 billion (as of March 31, 2023) of fixed income assets under management and as a subsidiary of MassMutual, Barings has the financial stability and flexibility to capitalize on different market conditions and offer a range of solutions to our clients. For example, the Global Senior Secured Bond strategy is a high-conviction credit-focused strategy that invests exclusively in the senior and secured part of a company's capital structure and where performance has been resilient.

During 2022, the strategy operated with a lower duration profile relative to the benchmark, which was a positive relative contributor to performance, given the sharp move higher in government bond yields, due to elevated inflationary pressures and hawkish central bank policies.

Another strong relative contributor to the strategy's performance over the past year is the zero weighting of the Chinese real estate sector, which has come under considerable pressure. Since the strategy is focused on the senior secured part of the capital structure, the investment team has generally limited exposure to markets where bankruptcy laws are less well defined and claims to the underlying company assets in the event of a default are often hard to exercise.

On an absolute return basis, over full year 2022, Barings' senior secured bank loan and high quality CLO debt strategies have been a standout performer in the fixed income space. The floating-rate nature of loans and CLOs has enabled these markets to more successfully navigate the rising interest rate environment.

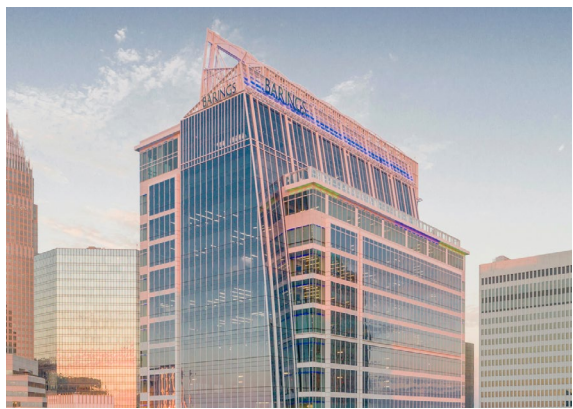
An ESG-integrated investment approach allows Barings to formulate proprietary credit grades on a company that are influenced by both traditional fundamental credit metrics as well as ESG factors.

A long-term knowledge of portfolio companies and sectors, as well as access to management and financial sponsors, provides greater coverage relative to third-party data sources - which can lack depth in the high yield markets.

Looking ahead, current yields in public fixed income are among the highest they have been in the past two decades and provide a substantial buffer against potential adverse scenarios. However, tail risks have increased, which warrants a strong emphasis on bottom-up fundamental credit analysis.



Martin Horne, Global Head of Public Markets



Barings Real Estate, with investment professionals across the globe, has the perspective and local presence to source and manage properties across a wide range.

The ability to secure attractive deal flow in real estate markets is a crucial element of Barings’ approach. The 2022 acquisition of Altis Property Partners in Australia boosted its expertise in real estate equity and added over A\$6 billion in AUM. A commitment to the transition to a low carbon economy underpins the group’s approach.

Barings Real Estate (BRE), with investment professionals across the globe, has the perspective and local presence to source and manage properties across a wide range. The BRE equity team seeks to identify cities and sub-markets that are benefiting from structural trends, including demographics and technology. It also places a strong emphasis on product innovation, supported by the use of advanced technology.

Given the deterioration in the global macro environment in 2022, Barings maintained a disciplined approach during the acquisitions process particularly during the underwriting stage. The occupier markets in which it invests have broadly remained strong with rental growth evident in many sectors and markets.

In the debt space, Barings offers customised solutions to borrowers, ranging from first mortgage loans to bridge, mezzanine and construction financing—leveraging an extensive network of sponsor relationships to originate proprietary deal flow.

The firm’s lending capabilities cover all major property types, including office, multi-family, retail, industrial and hotel. In 2022, the BRE debt team closed 38 loans comprising \$2.86 billion of total volume globally.

Barings’ real estate private equity investment platform supports the underwriting process within the regions by working directly with loan originators and underwriters to provide deep information on markets and specific properties, sponsors and micro-locations, and provides a backstop if property ownership is required as a result of borrower default.

The firm expanded its real estate debt activities to APAC with three new loans in Australia and New Zealand, worth more than \$212 million in 2022. Expanding its loan book to APAC is a significant step in the growth of Barings’ global real estate debt platform and it is now actively lending in 14 countries in the region.

Barings Real Estate views ESG aspects as a guiding force behind its business stewardship, recognising the crucial role asset managers play in leading by example and incentivising the value chain to transition to a low carbon economy.

In 2022, Barings made significant progress with ESG. The Global Real Estate Sustainability Benchmark (GRESB)* scores for our European Core and Value Add strategies were ranked second out of 99 funds and second out of 10 funds, respectively. Our Value Add strategy was also awarded sector leader status for offices.

*GRESB score is structured in three components: Management, Performance and Development: Each Component is divided into Aspects; aspects comprise of individually scored indicators. Points per indicator are decided by GRESB in advance of the Assessment opening for responses. Indicator scoring goes through a three-stage review process based on GRESB’s rules, principles and guidelines.