

BARING ASSET MANAGEMENT, INC.
GLOBAL FIXED: BARCLAYS CAPITAL AGGREGATE BENCHMARK

FOR THE MONTH OF: **SEPTEMBER** **2016**

MANAGER PERFORMANCE CALCULATIONS

* Annualized returns

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Baring FX	0.12%	0.35%	4.98%	3.85%	3.17%
Barclays Capital US Aggregate	-0.06%	0.46%	5.19%	4.03%	3.08%

PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS

Portfolio performance was ahead of the US aggregate benchmark in September (+0.12% versus -0.06%). The US treasury curve steepened, with yields beyond the ten year tenor point rising. As expected, the US Federal Reserve (Fed) kept rates unchanged, but left the door open for a December move. The committee was deeply divided in its decision to leave interest rates on hold, with three members dissenting in favor of a rate hike. The updated projections continue to reflect a slow pace of tightening, with the median expectations of one hike this year and only two hikes (previously three) next year. This was a beneficial outcome for our hard currency emerging market debt allocation. We reduced our position in this asset class by selling South African debt, taking advantage of the strong performance in this market in response to fading political risks.

The European Central Bank's (ECB) failure to add to its stimulus package was the catalyst for some weakness. However, our allocation to Spain contributed positively to performance. There was more constructive news on political stability in Spain, with the resignation of the Socialist party leader, Pedro Sanchez, possibly paving the way for the formation of a new government and ending the nine month political deadlock. We reduced our allocation to Spain, adding instead into Germany.

We also closed our Polish government bond position. While Poland is still suffering with deflation, the economy is performing relatively well. Meanwhile, last month's press conference following the monetary policy meeting took a hawkish tone, with Governor Glapinski suggesting the prospect of rate hikes late next year.

We made no changes to our currency strategy. We hold a small exposure to the Colombian peso which benefitted from the generally better risk tone for emerging markets.

Looking forward, the timing of the Fed's next rate hike will be an important consideration for both bond and currency markets and the level of dissent among Fed board members is likely to remain a source of uncertainty in the meantime. Political risk remains another consideration, leading up to November's presidential election, with Donald Trump's more protectionist policies plans seen as a risk for the country's closest trading partners. Although, the first of the televised presidential debates was assumed to have been won by the democratic nominee Hillary Clinton, opinion polls still reflect a close race.

ORGANIZATIONAL/PERSONNEL CHANGES

MANAGER STYLE SUMMARY

Barings is the only manager with a global fixed income mandate. They will make interest rate bets, not only within the U.S., but also between countries. As a result, Barings will sometimes hold foreign, non-dollar denominated securities, and will also take currency positions as part of their strategy. Added value is sought through investments in high-yield debt and mortgage-backed securities. Due to the periodic investments in foreign securities, currency positions, high-yield debt instruments, and the concentrated nature of the portfolio, we can expect Barings to go through long (1-2 years) periods of underperformance and then make up the underperformance within a matter of months.

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PORTFOLIO GUIDELINE COMPLIANCE

Portfolio Guideline:	Baring FX	Min	Max	Compliance
A3. Rule 144A securities	0%		3%	ok
B2a. Regional/Sector Allocations:	100%			
NORTH AMERICA	98%	20%	100%	ok
Governments (incl Agy & Supranatl)	38%	0%	100%	ok
Mortgages (incl MBS & 1st Mtg Deb)	20%	0%	60%	ok
Corporates	27%	0%	50%	ok
US\$ Denominated Foreign Sovereigns	13%	0%	20%	ok
Canada	0%	0%	30%	ok
Cash	0%			
JAPAN	0%	0%	40%	ok
MEMBERS OF EMU AND UK	1%	0%	60%	ok
OTHER (ABS, CMBS, munis & other non\$	1%	0%	15%	ok
Quality Allocations:				
SUB-INVESTMENT GRADE ^Y	N 0%	0%	35%	ok
US \$ Denominated Corporates	0%	0%	100%	ok
US \$ Denominated Foreign Sovereigns	0%	0%	100%	ok
Non-US \$ Denominated Corporates	0%	0%	100%	ok
Non-US \$ Denominated Sovereigns	0%	0%	100%	ok
B2b. Effective Duration +/- 40% of Benchmark		3.31	7.71	
		5.51	◀ Barclays Capital US Aggregate Duration	check
B3a. Corporate securities of one issuer <=5%				ok
B3b. Number of positions	110	30		ok
B3ci. Regional allocations above also apply to forwards				ok
B3cii. Max forward w/single counterpart <=25%				ok
E2. Annual Turnover	58%		250%	ok
84				

MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES

E2. Annual Turnover: Annual turnover INCLUDING Mortgage B'kd - 177.73%

ACCOUNT TURNOVER

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			