



**Barings Targeted Return Fund**  
Annual Report & Audited Financial  
Statements

for the period ended 31 August 2020

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For the period ended 31 August 2020

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\* These pages comprise the Manager's Report.

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# Barings Targeted Return Fund

## Introduction

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Barings Targeted Return Fund (the "Trust") is an Authorised Unit Trust, authorised by the FCA from 14 June 2019. The Trust launched on 17 January 2020, as a result of the old Targeted Return Fund being converted into a Charity Authorised Investment Fund ("CAIF"). Assets were transferred by means of an in-specie transfer and investors received units in the new CAIF. The Trust is registered with the Charity Commission as a charity. For the purposes of the FCA rules, the Trust is a CAIF and a Non-UCITS Retail Scheme.

The functional and presentation currency of the Trust is Pounds Sterling.

The Report of the Investment Manager reviews the performance of the Trust against the returns of the markets in which it is invested and analyses the investment environment that influenced the performance of the Trust during the period under review. The Manager then gives an outlook for the markets.

### COVID-19

The spread of COVID-19 around the world in 2020 has caused significant volatility in international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the international economies and, as such, the Manager is actively monitoring the extent of the impact to its operations, financial accounting and reporting.

### Advisory Committee

The Advisory Committee is independent from the Authorised Fund Manager and the Trustee. It has a consultative role and is tasked with representing the interests of Unitholders.

The Advisory Committee can make representations to the Authorised Fund Manager in relation to:

- the appointment by the Authorised Fund Manager's and the Trustee of delegates providing key services in respect of the Trust;
- the investment objective of the Trust;
- the investment policy of the Trust;
- the income distribution policy of the Trust;
- fees and charges associated with each class of units.

Meetings of the Advisory Committee will be called by the Investment Manager at least twice per year. The duties and responsibilities of the Advisory Committee are set out on page 9 and 10 and further in the Prospectus.

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## Barings Targeted Return Fund

### Investment Objective and Policy and Trust at a Glance

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The investment objective of the Trust is to aim for income and capital returns that, after fees are taken, exceed the Consumer Prices Index (CPI) by at least 3% per year (including income exceeding the CPI by 1% per year) when measured over a full market cycle (typically between 5 and 10 years). The target is not guaranteed (over a full market cycle or any period) and your investment is at risk.

#### How the Trust is Managed

The Manager uses the ideas generated by the Strategic Policy Group, our global macro research asset allocation group, to choose what we believe are the best investments to achieve the investment objectives of the Trust. This means we construct a portfolio of stocks or bonds from a mix of companies, countries and sectors to suit our current asset allocation policy at that point in time.

We believe that asset allocation is the most important driver of returns. It is important to be in the right market at the right time, and to be able to retreat to a more defensive position to help manage risk. We follow a two-stage investment process that assesses both long-term return opportunities, driven by slowly evolving macroeconomic factors, and shorter-term opportunities generated by market volatility. We maintain a forward-looking approach and are conscious that what proved to be a defensive asset in a previous downturn may not always be suitable. We use our wide investment universe to ensure that we avoid over diversification and focus on assets that we believe are appropriate for the prevailing economic and market cycle.

#### Risk Profile

Please see detailed below the key risks applicable to the Trust:

- Changes in exchange rates between the currency of the Trust and the currencies in which the assets of the Trust are valued can have the effect of increasing or decreasing the value of the Trust and any income generated.
- The rating of a bond is subject to change. There is no guarantee that a bond issuer will pay the interest due or repay the loan, and if not, this would result in a loss of income to the Trust, along with its initial investment. Bond values are likely to fall if interest rates rise.
- Derivative instruments can make a profit or a loss and there is no guarantee that a financial derivative contract will achieve its intended outcome. The use of derivatives can increase the amount by which the Trust's value rises and falls and could expose the Trust to losses that are significantly greater than the cost of the derivative as a relatively small movement may have a larger impact on derivatives than the underlying assets.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Coupled with less developed regulation, this means your money is at greater risk.
- Investing in other trusts may expose investors to increased risk due to restrictions on withdrawals, less strict regulations and use of derivatives.
- Losses may occur if an organisation through which we buy an asset (such as a bank) fails to meet its obligations.
- Liquidity risk exists when a particular security or instrument is difficult to purchase or sell. If the amount of a transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives, structured products, etc), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

Please refer to the Prospectus for the full risk profile.

## Barings Targeted Return Fund

Investment Objective and Policy and Trust at a Glance (continued)

### The Trust at a Glance on 31 August 2020

| Total Trust size: 31 August 2020* |                                   | £56.81 million                       |
|-----------------------------------|-----------------------------------|--------------------------------------|
| <b>OCF**</b>                      |                                   | <b>31/08/2020</b>                    |
| Class GBP Acc                     |                                   | 0.58%                                |
| Class GBP Inc                     |                                   | 0.58%                                |
|                                   | <b>Initial charge</b>             | <b>Annual charge</b>                 |
| Class GBP Acc                     | Up to 1.00%                       | 0.40%                                |
| Class GBP Inc                     | Up to 1.00%                       | 0.40%                                |
|                                   | <b>Minimum initial investment</b> | <b>Minimum subsequent investment</b> |
| Class GBP Acc                     | £10,000                           | £2,000                               |
| Class GBP Inc                     | £10,000                           | £2,000                               |

\* The Trust was launched on 17 January 2020..

\*\* The Ongoing Charge Figure ("OCF") reflects the payments and expenses which cover aspects of operating the Trust and is deducted from the assets over the period. It includes fees paid for investment management, trustee and general charges. It also includes synthetic costs which consider the OCF of the underlying funds weighted on the basis of their investment proportion. The OCF figures for the current period have decreased due to the decrease in 'Other expenses'.

| Price per unit | (pence per unit) |
|----------------|------------------|
| Class GBP Acc  | 171.40p          |
| Class GBP Inc  | 112.10p          |

## Barings Targeted Return Fund

### Trust Information

|   | Class GBP Acc - Accumulation units | Class GBP Inc - Distribution units |
|---|------------------------------------|------------------------------------|
|   | 31/08/2020                         | 31/08/2020                         |
|   | (p)                                | (p)                                |
| <b>Change in net assets per unit</b>                                |                                    |                                    |
| Opening net asset value per unit                                    | 182.26                             | 121.27                             |
| Return before operating charges                                     | (10.25)                            | (6.76)                             |
| Operating charges   | (0.79)                             | (0.66)                             |
| Return after operating charges                                      | (11.04)                            | (7.42)                             |
| Distributions   | (4.77)                             | (3.14)                             |
| Retained distributions on accumulation units                        | 4.77                               | —                                  |
| Closing net asset value per unit after direct transaction costs of* | 171.22                             | 110.71                             |
|   | 0.07                               | 0.06                               |
| <b>Performance</b>  |                                    |                                    |
| Return after charges  | (6.06)%                            | (6.12)%                            |
| <b>Other information</b>  |                                    |                                    |
| Closing net asset value ('000)                                      | £9,829                             | £46,978                            |
| Closing number of units   | 5,740,497                          | 42,429,060                         |
| Operating charges   | 0.58%                              | 0.58%                              |
| Direct transaction costs  | 0.05%                              | 0.05%                              |
| <b>Prices**</b>   |                                    |                                    |
| Highest unit price  | 182.50                             | 121.40                             |
| Lowest unit price   | 141.40                             | 93.27                              |

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Unitholders should note that there are other additional transaction costs such as dealing spread and underlying costs with regard to Investment Fund holdings which will also have reduced the Trust and unit class returns before operating charges.

\*\*High/low prices included in the table above for the current accounting period are from 17 January to 31 August as the Trust launched on 17 January 2020.

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## Barings Targeted Return Fund

### Report of the Investment Manager

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#### Performance

Over the reporting period from 17 January 2020 to the 31 August 2020, the Barings Targeted Return Fund produced a net return for Class A GBP Acc of (5.82)% compared to the performance comparator which is currently CPI+3% per annum from 1 January 2020 which returned +2.72%.

|                              | Since<br>Launch* | 1 year* | 3 years* | 5 years* |
|------------------------------|------------------|---------|----------|----------|
| Barings Targeted Return Fund | (5.82)%          | (2.00)% | 1.15%    | 3.80%    |
| CPI+3%**                     | 2.72%            | 4.99%   | 6.67%    | 6.49%    |

\* The performance of the Trust is linked to the old Targeted Return Fund, following the conversion on 17 January 2020 and thus historic performance is outlined in the table.

\*\* The performance comparator was changed on 17 January 2020 to CPI+3% per annum, previously CPI+5%. This change was made in order to bring the Trust in line with other competitor funds to make it more compelling and competitive. Performance has been linked over the period and therefore we discuss the whole year below as this performance comparator change did not have any impact on the asset allocation within the Trust.

We spent much of 2019 talking to clients about our conviction in the economically sensitive fixed income portions of the portfolio. These are fixed income positions including high yield bonds (US and European) and Emerging Market hard currency debt and it was heartening to see positive returns at the end of 2019, particularly when conventional government bonds were selling off.

Equities also performed well towards the end of 2019 and the Trust saw positive contributions across its equity positions. Given the upturn in economic data, we added steadily to equities throughout the fourth quarter of 2019.

In February 2020, global markets were impacted heavily by the dual crisis of COVID-19 and the simultaneous oil price war and as a result fell sharply, reaching their lowest on 23 March 2020. No market was left unscathed. Even defensive assets such as government bonds and gold proved unreliable.

We moved to a more defensive positioning as the scale of the COVID-19 crisis unfolded. We had been positioned for a world of growth at the end of 2019 and in February 2020 we had to start cutting the most exposed positions in equities and emerging market local currency bonds which to us were the obvious areas that would feel pain. We added to positions in gold to increase diversification and to certain credit areas such as investment grade credit and emerging market hard currency bonds which we felt would be the beneficiaries of a low interest environment. Despite this defensive action, performance was still disappointing over Q1 2020.

Along with trimming back our equity allocations, we re-focused within equities much more. Large reductions in our UK and Japanese holdings are good examples. Both are very export related countries in a world where little trade is happening. We focussed our equity exposure to the technology sector specifically and to the US in general. Technology we felt would be one of the most resilient sectors during the slowdown. Not only will certain online trends accelerate during the shutdown, but we expect corporate spend on IT to increase during the recovery. As a result, the largest contributor to returns over the year has been US equities.

Within equities, even prior to the sell-off, we had been re-focusing our exposure towards the US and away from the UK which is resource intensive and from Europe which is more export focused. These areas have lagged US equities and have had a much slower rebound in comparison. As a result, these positions have been the largest detractors to performance over the period.

## Barings Targeted Return Fund

Report of the Investment Manager (continued)

The top ten purchases and sales during the period were as follows:

| Purchases   | Costs<br>£'000 | Sales   | Proceeds<br>£'000 |
|---|----------------|---|-------------------|
| iShares USD Corp Bond UCITS ETF                                     | 4,118          | iShares Core S&P 500 UCITS ETF                                      | 4,632             |
| Invesco EQQQ Nasdaq-100 UCITS ETF                                   | 3,216          | United Kingdom Treasury Bill 0.00%<br>21/09/2020                    | 2,498             |
| Amundi Physical Gold ETC  | 2,607          | United States Treasury Bond 2.375%<br>15/05/2029                    | 2,131             |
| United Kingdom Treasury Bill 0.00%<br>21/09/2020                    | 2,498          | United States Treasury Bond 2.00%<br>15/02/2050                     | 1,906             |
| United States Treasury Inflation Indexed<br>Bonds 0.125% 15/01/2030 | 2,419          | Neuberger Berman High Yield Bond<br>Fund                            | 1,560             |
| United States Treasury Bond 2.00%<br>15/02/2050                     | 1,834          | United States Treasury Inflation<br>Indexed Bonds 2.375% 15/01/2027 | 1,330             |
| iShares STOXX Europe 600 Banks<br>UCITS ETF DE                      | 1,423          | iShares JP Morgan USD EM Bond<br>UCITS ETF                          | 1,273             |
| Neuberger Berman CLO Income Fund<br>USD Acc                         | 896            | Invesco EQQQ Nasdaq-100 UCITS<br>ETF                                | 1,178             |
| Neuberger Berman CLO Income Fund                                    | 863            | Barings Europe Select Trust   | 1,093             |
| iShares MSCI EM UCITS ETF USD Dist                                  | 640            | Neuberger Berman CLO Income Fund<br>USD Acc                         | 863               |

### Market Outlook

The swift and sizeable COVID-19 policy response from central banks and governments has managed to cushion the economic shock and lift markets, as policymakers try to see past the virus and think longer term. However, the second wave in Europe reminds us that the battle is far from over and until a vaccine is widely available, economies will likely remain constrained by measures aimed at slowing the spread of the virus. It is therefore important that governments continue to support consumer incomes and businesses until a vaccine is available or until the virus is brought under control by other means.

With the initial shock fading, a new normal will come into view that includes a persistent virus that continues to prevent a full return across all sectors, but global activity that can still rebound in spite of the risks. The near term can continue to get better as we have seen in recent data, even as we take stock of the longer term damage to balance sheets, investment and productivity.

Investors also need to start paying attention to old, familiar risks they had pushed to the back burner during the crisis: Tensions with China are on the rise around the world. We expect tough talk together with some action against weaker players (example: new trade sanctions on Australia by China). The good news is that US tariffs largely remain in place, so are unlikely to change markets.

While we still remain optimistic, investors will need to stay alert and we continue to believe it makes sense to aim for a well-diversified, dynamic portfolio.

### Baring Asset Management Limited

*Baring Asset Management Limited (the "Investment Manager") gives its portfolio managers full authority to manage their funds as they see fit, within the established guidelines set down. This includes the views that managers may take of the markets and sectors they invest in, which may differ from the views of other Barings portfolio managers.*

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## Barings Targeted Return Fund

### Responsibilities of the Manager and Advisory Committee

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#### Responsibilities of the Manager

The Scheme Particulars and Charity law requires Baring Fund Managers Limited (the “Manager”) to prepare financial statements for each annual financial year which give a true and fair view of the financial affairs of the Barings Targeted Return Fund (the “Trust”) and of its net revenue and net capital losses for the year. In preparing the financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association (“IA”) in May 2014 (the “IMA SORP 2014”) and with the form and content of the accounts as required by Regulation 6 of the Charities (Accounts & Reports) Regulations 2008;
- follow generally accepted accounting principles and applicable accounting standards;
- make judgments and estimates that are reasonable and prudent;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Manager confirms that it has complied with the above requirements in preparing the financial statements. The Manager is responsible for the management of the Trust in accordance with the Scheme Particulars and the Regulations. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Responsibilities of the Advisory Committee

The Advisory Committee of Barings Targeted Return Fund (the “Trust”) is a consultative body only with no executive powers and is not authorised to undertake regulated activities. As such, members of an Advisory Committee are not charity trustees under the Charities Act 2011.

The principle purpose of the Advisory Committee is to review and provide feedback to Barings Fund Managers Limited (“BFM”) in relation to various aspects of the management of the Trust, acting in the best interests of the investing charities. In particular the Advisory Committee is expected to:

- Review and provide feedback on any proposed changes to the investment objective and policy and material changes to the approach of the Trust
- Review and provide feedback on the distribution policy of the Trust and any proposed changes to the distribution policy
- Review the investment policy pursued by BFM including views as to:
  - the respective weighting of investments in different market sectors and in different geographical regions
  - the diversification of investments and the balancing of risks within the Trust’s portfolio provisions for liquidity
  - determining the criteria and methods for evaluating the performance of the Trust, and
  - giving their prior written consent to BFM to the exercise the borrowing power set out in the Scheme if the Advisory Committee is satisfied that the proposed borrowing is in the best interests of the Participating Charities
- Act as a voice for Participating Charities
- Review the appointment of key service providers to the Trust and to provide its views to the manager on such appointments
- Determine the rate of remuneration of the manager and the trustee/depositary
- Review the appointment of the auditor of the Trust and agree their terms of engagement

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## Barings Targeted Return Fund

### Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders

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#### **Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of Barings Targeted Return Fund (the "Trust") for the period ended 31 August 2020**

NatWest Trustee and Depositary Services Limited (the "Trustee") must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Financial Services and Markets Act 2000, as amended (together the "Regulations"), the Trust Deed and Prospectus (together the "Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager (the "AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations, and the Scheme documents in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects, the Trust, acting through the AFM:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents; and
- has observed the investment and borrowing powers and restrictions applicable to the Trust.

NatWest Trustee and Depositary Services Limited  
Trustee & Depositary Services  
London 18 December 2020

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## Barings Targeted Return Fund

### Directors' Statement

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The financial statements on pages 24 to 38 were approved by Baring Fund Managers Limited (the "Manager") and signed on its behalf by:

R. KENT                      Director

J. SWAYNE                  Director

London    18 December 2020

# Barings Targeted Return Fund

## Portfolio Statement

as at 31 August 2020

| Holdings | Investments                              | Bid-Market value (£) | Percentage of total net assets (%) |
|----------|--|----------------------|------------------------------------|
|          | <b>Equities: 27.11%</b>                  |                      |                                    |
|          | <b>Advertising: 0.15%</b>                |                      |                                    |
| 3,226    | Interpublic of Cos                       | 44,934               | 0.07                               |
| 1,034    | Omnicom                                  | 42,834               | 0.08                               |
|          |  | <b>87,768</b>        | <b>0.15</b>                        |
|          | <b>Aerospace/Defense: 0.08%</b>          |                      |                                    |
| 955      | Raytheon Technologies                    | <b>44,694</b>        | <b>0.08</b>                        |
|          | <b>Auto Manufacturers: 0.13%</b>         |                      |                                    |
| 4,883    | Volvo                                    | <b>71,343</b>        | <b>0.13</b>                        |
|          | <b>Auto Parts &amp; Equipment: 0.12%</b> |                      |                                    |
| 824      | Cie Generale des Etablissements Michelin | <b>70,546</b>        | <b>0.12</b>                        |
|          | <b>Banks: 1.12%</b>                      |                      |                                    |
| 6,849    | Bank of America                          | 135,347              | 0.25                               |
| 2,099    | Citigroup                                | 82,471               | 0.15                               |
| 1,135    | JPMorgan Chase                           | 87,662               | 0.15                               |
| 1,832    | KBC                                      | 80,570               | 0.14                               |
| 1,784    | Morgan Stanley                           | 70,899               | 0.12                               |
| 646      | PNC Financial Services Group             | 54,551               | 0.10                               |
| 1,876    | US Bancorp                               | 52,458               | 0.09                               |
| 3,586    | Wells Fargo                              | 66,526               | 0.12                               |
|          |  | <b>630,484</b>       | <b>1.12</b>                        |
|          | <b>Beverages: 0.84%</b>                  |                      |                                    |
| 3,605    | Coca-Cola                                | 135,003              | 0.24                               |
| 8,495    | Diageo                                   | 213,182              | 0.38                               |
| 1,189    | PepsiCo                                  | 125,062              | 0.22                               |
|          |  | <b>473,247</b>       | <b>0.84</b>                        |
|          | <b>Biotechnology: 0.23%</b>              |                      |                                    |
| 538      | Amgen                                    | 102,363              | 0.18                               |
| 582      | Gilead Sciences                          | 28,550               | 0.05                               |
|          |  | <b>130,913</b>       | <b>0.23</b>                        |
|          | <b>Building Materials: 0.04%</b>         |                      |                                    |
| 955      | Carrier Global                           | <b>21,751</b>        | <b>0.04</b>                        |
|          | <b>Capital Goods: 0.25%</b>              |                      |                                    |
| 1,352    | Siemens                                  | <b>142,197</b>       | <b>0.25</b>                        |
|          | <b>Chemicals: 1.92%</b>                  |                      |                                    |
| 4,640    | Albemarle                                | 321,820              | 0.57                               |
| 4,498    | Johnson Matthey                          | 106,828              | 0.19                               |
| 774      | LG Chem                                  | 363,503              | 0.64                               |
| 650      | Linde                                    | 123,888              | 0.22                               |

## Barings Targeted Return Fund

### Portfolio Statement (continued)

as at 31 August 2020

| Holdings | Investments   | Bid-Market<br>value<br>(£) | Percentage<br>of total<br>net assets<br>(%) |
|----------|---|----------------------------|---|
|          | <b>Equities: 27.11%</b> (continued)                 |                            |   |
|          | <b>Chemicals: 1.92%</b> (continued)                 |                            |   |
| 4,914    | Umicore   | 170,870                    | 0.30  |
|          |   | <b>1,086,909</b>           | <b>1.92</b>                                 |
|          | <b>Commercial Services: 0.82%</b>                   |                            |   |
| 3,180    | Ashtead   | 82,807                     | 0.15  |
| 570      | Automatic Data Processing                           | 60,558                     | 0.11  |
| 4,518    | Experian  | 126,052                    | 0.22  |
| 286      | PayPal  | 43,929                     | 0.08  |
| 8,819    | RELX  | 150,144                    | 0.26  |
|          |   | <b>463,490</b>             | <b>0.82</b>                                 |
|          | <b>Computers: 1.54%</b>                             |                            |   |
| 708      | Accenture   | 129,312                    | 0.23  |
| 1,752    | Apple   | 656,918                    | 1.16  |
| 910      | International Business Machines                     | 85,552                     | 0.15  |
|          |   | <b>871,782</b>             | <b>1.54</b>                                 |
|          | <b>Consumer Staples: 0.11%</b>                      |                            |   |
| 1,382    | Unilever  | <b>60,842</b>              | <b>0.11</b>                                 |
|          | <b>Cosmetics/Personal Care: 0.64%</b>               |                            |   |
| 1,907    | Procter & Gamble                                    | 198,921                    | 0.35  |
| 3,693    | Unilever PLC  | 164,708                    | 0.29  |
|          |   | <b>363,629</b>             | <b>0.64</b>                                 |
|          | <b>Distribution/Wholesale: 0.22%</b>                |                            |   |
| 1,300    | Ferguson  | 95,888                     | 0.17  |
| 2,663    | MARR  | 31,025                     | 0.05  |
|          |   | <b>126,913</b>             | <b>0.22</b>                                 |
|          | <b>Diversified Financial Services: 0.78%</b>        |                            |   |
| 802      | American Express                                    | 61,816                     | 0.11  |
| 173      | BlackRock   | 78,139                     | 0.14  |
| 1,075    | Cembra Money Bank                                   | 97,144                     | 0.16  |
| 4,616    | Hargreaves Lansdown                                 | 74,595                     | 0.13  |
| 2,136    | Schroders   | 61,901                     | 0.11  |
| 445      | Visa  | 72,135                     | 0.13  |
|          |   | <b>445,730</b>             | <b>0.78</b>                                 |
|          | <b>Electric: 0.31%</b>                              |                            |   |
| 1,139    | Dominion Energy                                     | 66,798                     | 0.12  |
| 204      | NextEra Energy                                      | 42,861                     | 0.08  |
| 4,456    | Red Electrica                                       | 64,015                     | 0.11  |
|          |   | <b>173,674</b>             | <b>0.31</b>                                 |
|          | <b>Electrical Components &amp; Equipment: 0.35%</b> |                            |   |
| 1,227    | Emerson Electric                                    | 65,152                     | 0.11  |
| 2,659    | Prysmian  | 56,413                     | 0.10  |

## Barings Targeted Return Fund

### Portfolio Statement (continued)

as at 31 August 2020

| Holdings | Investments   | Bid-Market<br>value<br>(£) | Percentage<br>of total<br>net assets<br>(%) |
|----------|---|----------------------------|---|
|          | <b>Equities: 27.11%</b> (continued)                             |                            |   |
|          | <b>Electrical Components &amp; Equipment: 0.35%</b> (continued) |                            |   |
| 850      | Schneider Electric  | 80,013                     | 0.14  |
|          |   | <b>201,578</b>             | <b>0.35</b>                                 |
|          | <b>Electronics: 0.22%</b>                                       |                            |   |
| 1,214    | Assa Abloy  | 21,437                     | 0.04  |
| 821      | Honeywell International   | 103,906                    | 0.18  |
|          |   | <b>125,343</b>             | <b>0.22</b>                                 |
|          | <b>Energy: 0.47%</b>  |                            |   |
| 278,609  | Aquila European Renewables Income Fund                          | <b>266,751</b>             | <b>0.47</b>                                 |
|          | <b>Engineering &amp; Construction: 0.12%</b>                    |                            |   |
| 977      | Vinci   | <b>70,829</b>              | <b>0.12</b>                                 |
|          | <b>Food: 0.57%</b>  |                            |   |
| 2,220    | Koninklijke Ahold Delhaize                                      | 50,794                     | 0.09  |
| 1,805    | Nestle  | 164,403                    | 0.29  |
| 49,705   | Tesco   | 108,655                    | 0.19  |
|          |   | <b>323,852</b>             | <b>0.57</b>                                 |
|          | <b>Gas: 0.60%</b>   |                            |   |
| 12,322   | Italgas   | 60,090                     | 0.11  |
| 24,365   | National Grid   | 205,397                    | 0.36  |
| 19,341   | Snam  | 75,231                     | 0.13  |
|          |   | <b>340,718</b>             | <b>0.60</b>                                 |
|          | <b>Healthcare-Products: 0.61%</b>                               |                            |   |
| 1,761    | Abbott Laboratories   | 146,535                    | 0.26  |
| 1,346    | Medtronic   | 109,098                    | 0.19  |
| 5,954    | Smith & Nephew  | 90,590                     | 0.16  |
|          |   | <b>346,223</b>             | <b>0.61</b>                                 |
|          | <b>Healthcare-Services: 0.20%</b>                               |                            |   |
| 491      | UnitedHealth  | <b>116,071</b>             | <b>0.20</b>                                 |
|          | <b>Household Products/Wares: 0.41%</b>                          |                            |   |
| 3,130    | Reckitt Benckiser   | <b>235,000</b>             | <b>0.41</b>                                 |
|          | <b>Insurance: 0.97%</b>   |                            |   |
| 384      | Allianz   | 63,312                     | 0.11  |
| 2,231    | ASR Nederland   | 59,091                     | 0.10  |
| 33,388   | Aviva   | 94,388                     | 0.17  |
| 3,078    | AXA   | 48,160                     | 0.08  |
| 502      | Baloise   | 60,151                     | 0.11  |
| 52,612   | Legal & General   | 114,325                    | 0.20  |
| 1,726    | MetLife   | 51,144                     | 0.09  |
| 13,823   | RSA Insurance Group   | 62,107                     | 0.11  |
|          |   | <b>552,678</b>             | <b>0.97</b>                                 |

**BARINGS**

# Barings Targeted Return Fund

## Portfolio Statement (continued)

as at 31 August 2020

| Holdings | Investments                                 | Bid-Market<br>value<br>(£) | Percentage<br>of total<br>net assets<br>(%) |
|----------|---|----------------------------|---|
|          | <b>Equities: 27.11%</b> (continued)         |                            |   |
|          | <b>Internet: 1.45%</b>                      |                            |   |
| 174      | Alphabet                                    | 214,345                    | 0.38  |
| 112      | Amazon.com                                  | 286,390                    | 0.50  |
| 12,995   | Auto Trader                                 | 73,162                     | 0.13  |
| 1,490    | eBay  | 60,772                     | 0.11  |
| 607      | Facebook                                    | 133,989                    | 0.24  |
| 128      | Netflix                                     | 50,405                     | 0.09  |
|          |   | <b>819,063</b>             | <b>1.45</b>                                 |
|          | <b>Investment Companies: 2.50%</b>          |                            |   |
| 450,000  | Greencoat Renewables                        | 495,272                    | 0.88  |
| 590,765  | SDCL Energy Efficiency Income               | 658,703                    | 1.16  |
| 240,934  | Sequoia Economic Infrastructure Income Fund | 260,691                    | 0.46  |
|          |   | <b>1,414,666</b>           | <b>2.50</b>                                 |
|          | <b>Machinery-Diversified: 0.04%</b>         |                            |   |
| 477      | Otis Worldwide                              | <b>22,790</b>              | <b>0.04</b>                                 |
|          | <b>Media: 0.20%</b>                         |                            |   |
| 1,607    | Comcast                                     | 53,826                     | 0.09  |
| 2,023    | Telenet                                     | 59,085                     | 0.11  |
|          |   | <b>112,911</b>             | <b>0.20</b>                                 |
|          | <b>Metal Fabricate/Hardware: 0.21%</b>      |                            |   |
| 7,518    | AMG Advanced Metallurgical                  | <b>118,734</b>             | <b>0.21</b>                                 |
|          | <b>Mining: 1.00%</b>                        |                            |   |
| 12,155   | BHP   | 208,142                    | 0.37  |
| 70,281   | Orocobre                                    | 100,578                    | 0.18  |
| 5,643    | Rio Tinto                                   | 261,525                    | 0.45  |
|          |   | <b>570,245</b>             | <b>1.00</b>                                 |
|          | <b>Miscellaneous Manufacturing: 0.21%</b>   |                            |   |
| 408      | 3M  | 50,806                     | 0.09  |
| 4,736    | Smiths Group                                | 66,398                     | 0.12  |
|          |   | <b>117,204</b>             | <b>0.21</b>                                 |
|          | <b>Oil &amp; Gas: 1.23%</b>                 |                            |   |
| 50,994   | BP  | 134,726                    | 0.24  |
| 523      | Chevron                                     | 33,636                     | 0.06  |
| 1,323    | Exxon Mobil                                 | 40,465                     | 0.07  |
| 20,517   | Royal Dutch Shell Class 'A'                 | 228,222                    | 0.40  |
| 1,827    | SK Innovation                               | 168,129                    | 0.30  |
| 3,043    | Total                                       | 92,170                     | 0.16  |
|          |   | <b>697,348</b>             | <b>1.23</b>                                 |
|          | <b>Oil &amp; Gas Services: 0.04%</b>        |                            |   |
| 2,485    | TGS-NOPEC Geophysical Company               | <b>24,809</b>              | <b>0.04</b>                                 |

## Barings Targeted Return Fund

### Portfolio Statement (continued)

as at 31 August 2020

| Holdings | Investments                              | Bid-Market<br>value<br>(£) | Percentage<br>of total<br>net assets<br>(%) |
|----------|--|----------------------------|---|
|          | <b>Equities: 27.11%</b> (continued)      |                            |   |
|          | <b>Pharmaceuticals: 2.32%</b>            |                            |   |
| 761      | AbbVie                                   | 53,862                     | 0.09  |
| 4,216    | AstraZeneca                              | 351,529                    | 0.61  |
| 958      | Bristol-Myers Squibb                     | 44,906                     | 0.08  |
| 804      | CVS Health                               | 38,195                     | 0.07  |
| 14,473   | GlaxoSmithKline                          | 213,043                    | 0.37  |
| 1,365    | Johnson & Johnson                        | 157,581                    | 0.28  |
| 1,615    | Merck &                                  | 103,940                    | 0.18  |
| 1,480    | Novartis                                 | 96,662                     | 0.17  |
| 1,099    | Novo Nordisk                             | 54,357                     | 0.10  |
| 2,304    | Pfizer                                   | 65,638                     | 0.12  |
| 547      | Roche                                    | 143,262                    | 0.25  |
|          |  | <b>1,322,975</b>           | <b>2.32</b>                                 |
|          | <b>Private Equity: 0.17%</b>             |                            |   |
| 10,280   | 3i Group                                 | <b>96,426</b>              | <b>0.17</b>                                 |
|          | <b>REITS: 0.24%</b>                      |                            |   |
| 299      | American Tower                           | 56,093                     | 0.10  |
| 1,781    | Omega Healthcare Investors               | 42,184                     | 0.07  |
| 7,870    | VEREIT                                   | 40,878                     | 0.07  |
|          |  | <b>139,155</b>             | <b>0.24</b>                                 |
|          | <b>Retail: 0.64%</b>                     |                            |   |
| 828      | Home Depot                               | 178,216                    | 0.31  |
| 745      | McDonald's                               | 120,350                    | 0.21  |
| 1,601    | TJX Cos                                  | 66,298                     | 0.12  |
|          |  | <b>364,864</b>             | <b>0.64</b>                                 |
|          | <b>Semiconductors: 0.90%</b>             |                            |   |
| 767      | Analog Devices                           | 68,943                     | 0.12  |
| 231      | Broadcom                                 | 59,872                     | 0.11  |
| 2,375    | Intel                                    | 90,012                     | 0.16  |
| 1,271    | Maxim Integrated Products                | 67,059                     | 0.12  |
| 120      | NVIDIA                                   | 47,437                     | 0.08  |
| 655      | Qualcomm                                 | 58,191                     | 0.10  |
| 1,109    | Texas Instruments                        | 119,615                    | 0.21  |
|          |  | <b>511,129</b>             | <b>0.90</b>                                 |
|          | <b>Software: 1.30%</b>                   |                            |   |
| 3,012    | Microsoft                                | 518,291                    | 0.91  |
| 2,677    | Oracle                                   | 116,449                    | 0.20  |
| 948      | Paychex                                  | 55,069                     | 0.10  |
| 244      | salesforce.com                           | 49,658                     | 0.09  |
|          |  | <b>739,467</b>             | <b>1.30</b>                                 |
|          | <b>Telecommunication Services: 0.07%</b> |                            |   |
| 2,584    | Freenet                                  | <b>42,324</b>              | <b>0.07</b>                                 |

# Barings Targeted Return Fund

## Portfolio Statement (continued)

as at 31 August 2020

| Holdings      | Investments   | Bid-Market<br>value<br>(£) | Percentage<br>of total<br>net assets<br>(%) |
|---------------|---|----------------------------|---|
|               | <b>Equities: 27.11%</b> (continued)                                 |                            |   |
|               | <b>Telecommunications: 0.55%</b>                                    |                            |   |
| 2,758         | AT&T  | 62,277                     | 0.11  |
| 3,721         | Cisco Systems   | 118,006                    | 0.21  |
| 2,987         | Verizon Communications  | 133,055                    | 0.23  |
|               |   | <b>313,338</b>             | <b>0.55</b>                                 |
|               | <b>Transportation: 0.16%</b>  |                            |   |
| 218           | Union Pacific   | 31,967                     | 0.06  |
| 478           | United Parcel Service   | 58,333                     | 0.10  |
|               |   | <b>90,300</b>              | <b>0.16</b>                                 |
|               | <b>Water: 0.06%</b>   |                            |   |
| 1,992         | Veolia Environnement  | <b>35,560</b>              | <b>0.06</b>                                 |
|               | <b>Bonds: 5.90%</b>   |                            |   |
|               | <b>Italy: 0.77%</b>   |                            |   |
| EUR 350,000   | Italy Buoni Poliennali Del Tesoro 3.85% 01/09/2049                  | <b>440,073</b>             | <b>0.77</b>                                 |
|               | <b>Brazil: 0.97%</b>  |                            |   |
| USD 450,000   | Brazilian Government International Bond 12.25%<br>06/03/2030        | <b>552,712</b>             | <b>0.97</b>                                 |
|               | <b>Italy: 1.15%</b>   |                            |   |
| GBP 522,000   | Republic of Italy Government International Bond 6.00%<br>04/08/2028 | <b>655,834</b>             | <b>1.15</b>                                 |
|               | <b>United States: 3.01%</b>   |                            |   |
| USD 2,040,000 | United States Treasury Inflation Indexed Bonds 0.125%<br>15/01/2030 | <b>1,708,116</b>           | <b>3.01</b>                                 |
|               | <b>Close Ended Funds: 0.37%</b>                                     |                            |   |
|               | <b>Guernsey: 0.37%</b>  |                            |   |
| 155,616       | Renewables Infrastructure Group                                     | <b>212,571</b>             | <b>0.37</b>                                 |
|               | <b>Equity Investment Funds: 11.52%</b>                              |                            |   |
|               | <b>United Kingdom: 11.52%</b>                                       |                            |   |
| 74,073        | Baillie Gifford Overseas Growth Funds                               | 1,138,496                  | 2.00  |
| 33,782        | Barings Europe Select Trust   | 1,470,195                  | 2.59  |
| 445,151       | Greencoat UK Wind Fund  | 637,456                    | 1.12  |
| 4,063,459     | Mayfair Property Income Trust for Charities Fund                    | 3,294,832                  | 5.81  |
|               |   | <b>6,540,979</b>           | <b>11.52</b>                                |

## Barings Targeted Return Fund

### Portfolio Statement (continued)

as at 31 August 2020

| Holdings         | Investments  | Bid-Market<br>value<br>(£) | Percentage<br>of total<br>net assets<br>(%) |
|------------------|--|----------------------------|---|
|                  | <b>Exchange Traded Funds: 37.48%</b>                                       |                            |   |
|                  | <b>Germany: 1.12%</b>  |                            |   |
| 76,778           | iShares STOXX Europe 600 Banks UCITS ETF DE                                | <b>634,936</b>             | <b>1.12</b>                                 |
|                  | <b>Ireland: 36.36%</b>   |                            |   |
| 48,556           | Amundi Physical Gold ETC   | 2,863,502                  | 5.04  |
| 10,859           | Invesco EQQQ Nasdaq-100 UCITS ETF  | 2,388,437                  | 4.20  |
| 106,422          | Invesco Preferred Shares UCITS ETF   | 1,607,109                  | 2.83  |
| 195,956          | iShares EM Dividend UCITS ETF USD ETF                                      | 2,596,417                  | 4.58  |
| 7,831            | iShares EUR High Yield Corp Bond UCITS ETF                                 | 700,579                    | 1.23  |
| 57,622           | iShares JP Morgan EM Local Government Bond UCITS ETF                       | 2,426,850                  | 4.27  |
| 47,974           | iShares JP Morgan USD EM Bond UCITS ETF                                    | 4,050,393                  | 7.13  |
| 19,743           | iShares MSCI EM UCITS ETF USD Dist   | 644,609                    | 1.13  |
| 34,716           | iShares USD Corp Bond UCITS ETF  | 3,379,352                  | 5.95  |
|                  |  | <b>20,657,248</b>          | <b>36.36</b>                                |
|                  | <b>Open Ended Funds: 13.78%</b>  |                            |   |
|                  | <b>Ireland: 13.78%</b>   |                            |   |
| 4,971            | Barings European High Yield Bond Fund                                      | 465,191                    | 0.82  |
|                  | Barings U.S Short Duration High Yield Bond Component                       |                            |   |
| 5,433            | Fund   | 391,703                    | 0.69  |
| 65,667           | Barings Umbrella US High Yield Bond Component                              | 4,763,299                  | 8.38  |
| 111,482          | Neuberger Berman CLO Income Fund   | 789,385                    | 1.40  |
| 90,668           | Neuberger Berman High Yield Bond Fund                                      | 746,283                    | 1.31  |
| 8,709            | Twelve Cat   | 672,134                    | 1.18  |
|                  |  | <b>7,827,995</b>           | <b>13.78</b>                                |
|                  | <b>Futures Contracts: 0.46%</b>  |                            |   |
| 38               | Futures E-mini Russ 2000 September 2020                                    | <b>259,376</b>             | <b>0.46</b>                                 |
|                  | <b>Forward Currency Contracts: 1.72%</b>                                   |                            |   |
| USD (15,370,300) | Sold USD, bought GBP 12,333,290 for settlement 08/10/2020 (Northern Trust) | 793,368                    | 1.40  |
| USD (13,200,000) | Sold USD, bought GBP 10,066,154 for settlement 24/11/2020 (Northern Trust) | 157,661                    | 0.28  |
| EUR (1,911,300)  | Sold EUR, bought GBP 1,727,645 for settlement 24/11/2020 (State Street)    | 14,195                     | 0.02  |
| CHF (557,920)    | Sold CHF, bought GBP 474,431 for settlement 08/10/2020 (State Street)      | 10,893                     | 0.02  |
| EUR (889,650)    | Sold EUR, bought GBP 803,681 for settlement 08/10/2020 (State Street)      | 6,750                      | 0.01  |
| CHF (231,000)    | Sold CHF, bought GBP 194,199 for settlement 24/11/2020 (State Street)      | 2,058                      | —   |
| GBP (63,318)     | Sold GBP, bought CHF 75,600 for settlement 08/10/2020 (State Street)       | (507)                      | —   |

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**Barings Targeted Return Fund****Portfolio Statement** (continued)as at 31 August 2020

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|                 |  | <b>Bid-Market<br/>value<br/>(£)</b> | <b>Percentage<br/>of total<br/>net assets<br/>(%)</b> |
|-----------------|--|-------------------------------------|---|
| <b>Holdings</b> | <b>Investments</b>   |                                     |   |
|                 | <b>Forward Currency Contracts: 1.72%</b> (continued)                         |                                     |   |
| GBP (842,405)   | Sold GBP, bought USD 1,110,800 for settlement 08/10/2020<br>(Northern Trust) | (8,424)                             | (0.01)  |
|                 |  | <b>975,994</b>                      | <b>1.72</b>   |
|                 | <b>Portfolio of investments: 98.34%</b>                                      | <b>55,864,097</b>                   | <b>98.34</b>  |
|                 | Net other assets   | 942,694                             | 1.66  |
|                 | <b>Net assets</b>  | <b>56,806,791</b>                   | <b>100.00</b>   |

There are no comparative figures as the Trust launched on 17 January 2020.

Note: Securities shown on the portfolio statement are ordinary shares admitted to official stock exchange listings or traded on a regulated market, unless otherwise stated.

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## Barings Targeted Return Fund

### Independent Auditors' Report to the Unitholders of Barings Targeted Return Fund

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#### Report on the audit of the financial statements

##### Opinion

In our opinion, the financial statements of Barings Targeted Return Fund (the "Trust"):

- give a true and fair view of the financial position of the Trust as at 31 August 2020 and of the net revenue and the net capital losses on its scheme property for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report & Audited Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 August 2020; the statement of total return and the statement of change in unitholder's funds for the period then ended; the distribution table and the notes to the financial statements, which include a description of the significant accounting policies.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### Conclusions relating to going concern

Our evaluation of the Manager's assessment of the Trust's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Manager's updated risk assessment and considering whether it addressed the relevant threats presented by COVID-19;
- evaluating the Manager's assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Manager's assessment of the Trust's financial position in the context of its ability to meet future expected operating charges and known outflows, their assessment of liquidity as well as their review of the operational resilience of the Trust and oversight of key third-party service providers; and
- assessing the implication of significant reductions in NAV as a result of redemptions and/or performance on the ongoing ability of the Trust to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Trust's ability to continue as a going concern.

Our responsibilities and the responsibilities of the manager with respect to going concern are described in the relevant sections of this report.

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## Barings Targeted Return Fund

### Independent Auditors' Report to the Unitholders of Barings Targeted Return Fund (continued)

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Manager's Report*

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Manager's Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the Manager for the financial statements*

As explained more fully in the Responsibilities of the Manager set out on page 9, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless the Manager either intend to wind up or terminate the Trust, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Trust, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Trust. Audit procedures performed included:

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## Barings Targeted Return Fund

### Independent Auditors' Report to the Unitholders of Barings Targeted Return Fund (continued)

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#### Responsibilities for the financial statements and the audit (continued)

- Discussions with the Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Manager's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

#### Other required reporting

##### Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

##### Collective Investment Schemes sourcebook and Charities Act of 2011 exception reporting

Under the Collective Investment Schemes sourcebook and Charities Act 2011, we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

Under the Charities Act 2011 we are also required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from these responsibilities.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
18 December 2020

## Barings Targeted Return Fund

### Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders

for the period ended 31 August 2020

#### Statement of Total Return

|  | Notes | 17/01/2020 to<br>31/08/2020* |                |
|--|-------|------------------------------|----------------|
|  |       | £'000                        | £'000          |
| Income   |       |                              |                |
| Net capital losses   | 2     |                              | (5,250)        |
| Revenue  | 3     | 1,361                        |                |
| Expenses   | 4     | (116)                        |                |
| Interest payable and other similar charges   | 5     | (1)                          |                |
| Net revenue before taxation  |       | 1,244                        |                |
| Taxation   | 6     | (34)                         |                |
| Net revenue after taxation   |       |                              | 1,210          |
| <b>Total return before distributions</b>   |       |                              | <b>(4,040)</b> |
| Distributions  | 7     |                              | (1,326)        |
| <b>Change in net assets attributable to unitholders from investment activities</b> |       |                              | <b>(5,366)</b> |

#### Statement of Change in Net Assets Attributable to Unitholders

|  |   | 17/01/2020 to<br>31/08/2020* |               |
|--|---|------------------------------|---------------|
|  |   | £'000                        | £'000         |
| <b>Opening net assets attributable to unitholders</b>                        |   |                              | <b>—</b>      |
| Amounts receivable on issue of units   |   | 15                           |               |
| Amounts receivable on in-specie transactions**                               |   | 65,626                       |               |
| Amounts payable on cancellation of units                                     |   | (3,797)                      |               |
|  |   |                              | 61,844        |
| Changes in net assets attributable to unitholders from investment activities |   |                              | (5,366)       |
| Retained distribution on accumulation units                                  | 7 |                              | 329           |
| <b>Closing net assets attributable to unitholders</b>                        |   |                              | <b>56,807</b> |

\* There are no comparative figures shown as the Trust launched on 17 January 2020.

\*\* Pertains to units received by investors as a result of the conversion of the Trust into a Charity Authorised Investment Fund ("CAIF") on 17 January 2020.

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**Barings Targeted Return Fund****Balance Sheet**as at 31 August 2020

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|   | Notes | 31/08/2020*<br>£'000 |
|---|-------|----------------------|
| <b>Assets</b>                                 |       |                      |
| Investment assets                             |       | 55,873               |
| Current assets:                               |       |                      |
| Debtors                                       | 9     | 278                  |
| Cash and bank balances                        | 10    | 1,342                |
| Total assets                                  |       | <u>57,493</u>        |
| <b>Liabilities</b>                            |       |                      |
| Investment liabilities                        |       | (9)                  |
| Creditors:                                    |       |                      |
| Bank overdrafts                               | 10    | (81)                 |
| Distribution payable on income units          | 7     | (532)                |
| Other creditors                               | 11    | (64)                 |
| Total liabilities                             |       | <u>(686)</u>         |
| <b>Net assets attributable to unitholders</b> |       | <u><u>56,807</u></u> |

\* There are no comparative figures shown as the Trust launched on 17 January 2020.

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## Barings Targeted Return Fund

### Notes to the Financial Statements

for the period ended 31 August 2020

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#### 1. Accounting policies

##### **Basis of accounting**

The financial statements have been prepared with the historical cost convention, as modified by the revaluation of investments, and in accordance with the requirements of the Charities Act 2011 and Regulation 6 of The Charities (Accounts and Reports) Regulations 2008, and in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association ("IA") in May 2014 (the "IMA SORP 2014"). The financial statements are also in compliance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have been prepared on a going concern basis.

##### **Basis of valuation of investments**

All investments are valued at their fair value as at 12 noon on 28 August 2020, being the last business day of the accounting period. The fair value for non-derivative securities is the bid-market price, excluding any accrued interest.

Where values cannot be readily determined, the securities are valued at the Manager's best assessment of their fair value.

##### **Foreign Exchange**

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 12 noon on 28 August 2020.

##### **Revenue Recognition**

Revenue from quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Bank interest and other revenue is recognised on an accruals basis.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment, and is treated as revenue. The effective yield basis amortises any discount or premium on the debt element of the purchase or an investment over its remaining life based on contractual cash flows. Any adjustments resulting from changes in actual cash flows are treated as capital.

Distributions receivable from Investment Funds are recognised when the shares are priced ex-distribution. Distributions receivable from Investment Funds, excluding any equalisation element, are recognised as revenue. Equalisation is deducted from the bookcost of the investments.

Returns from derivative securities are taken to capital and/or revenue depending on the motive and circumstances surrounding the particular transaction. The net revenue/expense on derivative positions are recognised as revenue and form part of the Trust's distribution.

##### **Special dividends**

These are recognised as either revenue or capital depending upon the nature and circumstances of the dividend. Amounts recognised as revenue will form part of Trust's distribution. Any tax thereon will follow the accounting treatment of the principal amount.

##### **Distribution Policy**

Where applicable, for the income ("Inc") units, the Trust will pay any surplus revenue as a distribution. For accumulation ("Acc") units, the Trust will retain any surplus revenue for investment in the Trust.

Acc unitholders will nonetheless be liable to United Kingdom taxation in the same manner, and to the same extent, as if the income accumulated for their benefit had instead been distributed to them.

##### **Treatment of expenses**

For accounting purposes, all expenses are charged against capital for the period on an accruals basis.

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 1. Accounting policies (continued)

##### Taxation

The Trust is established under a scheme of the Charity Commissioners of 30 June 1992 and the Charities Act 1993, and as such is not liable to corporation tax.

##### Trailer commission

Trailer commission is received from investments in Investment Funds managed by other Managers. If the underlying Investment Fund pays its annual management charge from capital, the trailer commission is treated as capital in nature. All other trailer commission is treated as revenue and forms part of the distribution.

##### Derivative financial instruments

The Trust may use financial derivative instruments for efficient portfolio management, including in attempting to hedge or reduce the overall risk of its investments, or financial derivative instruments may be used for investment purposes in pursuit of investment objectives, policies and strategies. Gains and losses on forward contracts and futures contracts are accounted for in accordance with the Manager's intention on entering into the contracts and the circumstances surrounding the particular transaction. Where the motive and circumstance is to protect or enhance capital return, gains or losses are recognised in net capital (losses)/gains in the statement of total return; Where the motive and circumstance is to protect or enhance revenue, the revenue and expenses derived therefrom are included in revenue or interest payable and other similar charges in the statement of total return. Any positions on such transactions open at the period-end are reflected in the balance sheet at their marked to market value.

##### Management fee rebate

The Manager rebates an amount equivalent to the ongoing charge suffered on the Trust's share in the underlying Investment funds. Each rebate is paid to either the capital or revenue element of the Trust depending on whether the fee of the underlying fund is charged to capital or revenue.

#### 2. Net capital losses

The net capital losses during the period comprise:

|  | 17/01/2020 to<br>31/08/2020<br>£'000 |
|--|--------------------------------------|
| Realised loss on investments               | (5,840)                              |
| Unrealised gains on investments            | 573                                  |
| Realised currency losses                   | (260)                                |
| Realised losses on derivatives securities  | (27)                                 |
| Unrealised gains on derivatives securities | 259                                  |
| Management fee rebates                     | 2                                    |
| Forward currency contracts                 | 49                                   |
| Transaction charges                        | (6)                                  |
| Net capital losses on investments          | <u>(5,250)</u>                       |

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 3. Revenue

17/01/2020 to  
31/08/2020  
£'000

|                               |       |
|-------------------------------|-------|
| Bank interest                 | 2     |
| Franked CIS revenue           | 99    |
| UK dividends                  | 185   |
| Futures Income                | 9     |
| Interest on debt securities   | 73    |
| Management fee rebates        | 10    |
| Offshore CIS dividend revenue | 88    |
| Offshore CIS interest revenue | 642   |
| Overseas dividends            | 238   |
| Unfranked PID revenue         | 15    |
|                               | <hr/> |
|                               | 1,361 |

#### 4. Expenses

17/01/2020 to  
31/08/2020  
£'000

**Payable to Baring Fund Managers Limited (the "Manager") or associates of the Manager:**

|                          |       |
|--------------------------|-------|
| Manager's service charge | 147   |
|                          | <hr/> |
|                          | 147   |

**Payable to NatWest Trustee and Depositary Services Limited (the "Trustee") or associates of the Trustee:**

|                      |       |
|----------------------|-------|
| Trustee fees         | 9     |
| Safe custody charges | 2     |
|                      | <hr/> |
|                      | 11    |

**Other expenses:**

|                                    |       |
|------------------------------------|-------|
| Audit fees                         | 13    |
| Legal fees                         | (47)  |
| Professional fees                  | (12)  |
| Registrar and transfer agency fees | 2     |
| Standing charges                   | 2     |
|                                    | <hr/> |
|                                    | (42)  |

|                       |       |
|-----------------------|-------|
| <b>Total expenses</b> | <hr/> |
|                       | 116   |

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 5. Interest and other similar charges

17/01/2020 to  
31/08/2020  
£'000

---

1

---

1

---

Interest expenses

#### 6. Taxation

17/01/2020 to  
31/08/2020  
£'000

##### a) Analysis of tax charges for the period:

Overseas withholding tax

34

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a) The Trust is established under a scheme of the Charity Commissioners of 30 June 1992 and the Charities Act 1993, and as such is not liable to corporation tax. There is no unrecognised deferred tax asset at the period-end as the Trustee considers that the Trust will maintain its charitable status indefinitely and will, therefore, never be subject to corporation tax.

b) There is no deferred tax provision for the period end

#### 7. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprises:

17/01/2020 to  
31/08/2020  
£'000

409

110

401

109

532

110

---

1,671

Second interim Distribution

Second interim Accumulation

Third interim Distribution

Third interim Accumulation

Final Distribution

Final Accumulation

Add: Revenue deducted on cancellation of units

Deduct: Revenue received on in-specie transactions

35

(380)

(345)

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**Total distributions**

**1,326**

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 7. Distributions (continued)

Details of the distributions per unit are set out in the Distribution Tables on page 38.

Distributions payable at the period end of £532,400 are disclosed in the Balance Sheet on page 25.

#### 8. Movement between net revenue and distributions

17/01/2020 to  
31/08/2020  
£'000

Net revenue after taxation

1,210

Add: Capitalised expenses

116

1,326

#### 9. Debtors

31/08/2020  
£'000

Accrued revenue

104

Management fee rebates receivable

6

Overseas tax recoverable

168

278

#### 10. Cash and bank balances

31/08/2020  
£'000

Bank overdraft

(81)

Cash and bank balances

1,342

1,261

#### 11. Other creditors

31/08/2020  
£'000

Accrued expenses

59

Amounts payable from Targeted Return Trust

5

64

#### 12. Contingent liabilities

There were no contingent liabilities at the period-end date.

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 13. Financial instruments

In pursuing its investment objective set out on page 4, the Trust may hold a number of financial instruments. These comprise:

- equity and non-equity shares, fixed-income securities, and floating-rate securities. These are held in accordance with the Trust's investment objective and policies;
- cash, Collective Investment Funds, liquid resources and short-term debtors and creditors that arise directly from its operations;
- unitholders' funds which represent investors' monies which are invested on their behalf;
- borrowings used to finance investment activity;
- forward foreign currency contracts, the purpose of which is to manage the currency risk arising from the Trust's investment activities (and related financing); and
- derivative instruments for the purpose of investment and efficient portfolio management.

#### 14. Risks of financial instruments

The risks arising from the Trust's financial instruments are market price, foreign currency, interest rate, liquidity and credit risks. The Investment Manager reviews (and agrees with the Trustee) policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate:

##### Market price risk

Market price risk rises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements.

The Investment Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The Investment Manager does not use derivative instruments to hedge the investment portfolio against market risk, as in their opinion the cost of such a process would result in an unacceptable reduction in the potential for capital growth.

##### Market price risk sensitivity analysis

As at 31 August 2020, if the price of the investments held by the Trust increased or decreased by 5%, with all other variables held constant, then the net assets attributable to unitholders would increase or decrease by approximately £2.793 million.

##### Foreign currency risk

The revenue and capital value of the Trust's investments can be significantly affected by foreign currency translation movements, as the majority of the Trust's assets and revenue are denominated in currencies other than sterling, which is the Trust's functional currency.

The Investment Manager has identified three principal areas where foreign currency risk could impact the Trust. These are: movement in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment, purchase or sale is entered into and the date when settlement of the investment occurs, and finally, movements in exchange rates affecting revenue received by the Trust. The Trust converts all receipts of revenue received in foreign currencies into sterling on the day of receipt.

In addition, the Investment Manager makes significant use of forward currency contracts for investment and efficient portfolio management purposes. These contracts are denominated in a range of currencies, some of which are not held in other assets within the Trust. This increases the exposure of the Trust to exchange rate movements and may significantly affect the returns of the Trust.

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 14. Risks of financial instruments (continued)

At the period-end date, a proportion of the net assets of the Trust were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements. These net assets consist of the following:

##### Currency exposure for the period ended 31 August 2020:

|                   | Portfolio of<br>investments<br>£'000 | Net other<br>assets<br>£'000 | Total<br>£'000 |
|-------------------|--------------------------------------|------------------------------|----------------|
| Australian dollar | 101                                  | –                            | 101            |
| Danish krone      | 54                                   | 1                            | 55             |
| Euro              | 1,591                                | 85                           | 1,676          |
| Mexican peso      | –                                    | 8                            | 8              |
| Norwegian krone   | 25                                   | –                            | 25             |
| Polish zloty      | –                                    | 2                            | 2              |
| South Korean won  | 532                                  | 1                            | 533            |
| Swedish krona     | 93                                   | 1                            | 94             |
| Swiss franc       | (33)                                 | 3                            | (30)           |
| US dollar         | 10,794                               | 16                           | 10,810         |
|                   | <b>13,157</b>                        | <b>117</b>                   | <b>13,274</b>  |

##### Foreign currency risk sensitivity analysis

At 31 August 2020, if the value of the sterling increased or decreased by 1%, with all other variables held constant, then the net assets attributable to unitholders would increase or decrease by approximately £1.327 million.

##### Interest rate risk

The Trust may invest in both fixed-rate and floating rate securities. Any change to the interest rates relevant for particular securities may result in either revenue increasing or decreasing, or the Investment Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general, if interest rates rise, the revenue potential of the Trust also rises, but the value of fixed-rate securities will decline (along with certain expenses calculated by reference to the assets of the Trust). A decline in interest rates will in general have the opposite effect.

## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

#### 14. Risks of financial instruments (continued)

The interest rate risk profile of financial assets and liabilities consists of the following:

|                          | Floating rate<br>31/08/2020<br>£'000 | Fixed rate<br>31/08/2020<br>£'000 | Non-interest<br>bearing<br>31/08/2020<br>£'000 | Total<br>31/08/2020<br>£'000 |
|--------------------------|--------------------------------------|-----------------------------------|--|------------------------------|
| Portfolio of investments | 956                                  | 3,357                             | 51,551   | 55,864                       |
| Cash at bank             | 1,261                                | –                                 | –  | 1,261                        |
| Other assets             | –                                    | –                                 | 278  | 278                          |
| Liabilities              | –                                    | –                                 | (596)  | (596)                        |
|                          | <b>2,217</b>                         | <b>3,357</b>                      | <b>51,233</b>                                  | <b>56,807</b>                |

The floating rate assets and liabilities comprise bank balances, whose rates are determined by reference to the London Interbank Offered Rate ("LIBOR") or international equivalent borrowing rate.

#### Interest rate risk sensitivity analysis

As at 31 August 2020, if the interest rate increased or decreased by 1%, with all other variables held constant, then the net assets attributable to unitholders would increase or decrease by approximately £0.056 million.

#### Liquidity risk

The Trust's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the Trust is the redemption of any units that investors wish to sell.

#### Credit risk

Certain transactions in securities that the Trust enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Trust has fulfilled its responsibilities. All currency contracts are held with Northern Trust; please see below for details of the notional exposure.

The Trust only buys and sells investments through brokers which have been approved as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time, and these limits are reviewed regularly.

During the period, the Trust made use of "Over The Counter" ("OTC") derivative instruments. These types of transactions introduce counterparty risk, where a counterparty may fail to meet its financial commitments. The Trust's exposure to counterparty risk in respect of OTC derivative instruments for forward contracts is the notional exposure of these contracts. In order to reduce this risk, collateral may be held by the Trust.

#### Derivatives and other financial instruments

Transactions in derivatives, options, forward contracts and futures may be used for the purpose of hedging and meeting the investment objectives of the Trust. In pursuing the Trust's objectives, the Investment Manager may make use of a variety of instruments in accordance with the rules. The notional exposure of OTC derivative instruments for forward currency contracts at period-end is £25,520,199. There is no collateral held for the OTC derivative instruments at period-end.

#### Counterparty exposure for the period ended 31 August 2020:

##### 2020

Northern Trust  
State Street

Forward  
contracts  
£'000  
943  
33

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 15. Fair value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

FRS 102 requires the Trust to classify financial instruments measured at fair value into the following hierarchy: The disclosures are based on a three-level fair value hierarchy for the inputs used in valuation techniques to measure fair value.

A financial instrument is regarded as quoted in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at the period-end date. The fair value hierarchy has the following levels:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### Valuation technique for the period ended 31 August 2020:

|                            | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|----------------------------|------------------|------------------|------------------|----------------|
| Financial Assets           |                  |                  |                  |                |
| Debt Securities            | 2,364            | 993              | –                | 3,357          |
| Equities                   | 15,398           | –                | –                | 15,398         |
| Forward Currency Contracts | –                | 985              | –                | 985            |
| Futures Contracts          | 259              | –                | –                | 259            |
| Investment Funds           | 21,293           | 14,581           | –                | 35,874         |
|                            | <b>39,314</b>    | <b>16,559</b>    | <b>–</b>         | <b>55,873</b>  |
| Financial Liabilities      |                  |                  |                  |                |
| Forward Currency Contracts | –                | (9)              | –                | (9)            |
|                            | <b>–</b>         | <b>(9)</b>       | <b>–</b>         | <b>(9)</b>     |

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 16. Portfolio transaction costs

17/01/2020 to  
31/08/2020  
£'000

##### Analysis of total purchase costs:

|  |               |
|--|---------------|
| Purchases before transaction costs*            | 36,187        |
| Commissions:                                   |               |
| Collective Investment Schemes total value paid | 2             |
| Equities total value paid                      | 6             |
| Taxes:   |               |
| Equities total value paid                      | 17            |
| Total transaction costs                        | 25            |
| <b>Gross purchases total</b>                   | <b>36,212</b> |

17/01/2020 to  
31/08/2020  
£'000

##### Analysis of total sale costs:

|  |               |
|--|---------------|
| Sales before transaction costs*                | 40,912        |
| Commissions:                                   |               |
| Collective Investment Schemes total value paid | (2)           |
| Equities total value paid                      | (5)           |
| Total transaction costs                        | (7)           |
| <b>Total sales net of transaction costs</b>    | <b>40,905</b> |

The above analysis covers any direct transaction costs suffered by the Trust during the period.

In the case of equities and Investment Funds, separately identifiable direct transaction costs (commissions and taxes etc.) are attributable to the Trust's purchase and sale of equity investments. In addition, there may be dealing spread costs (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions which are not separately identifiable and do not form part of the analysis above.

In the case of Investment Funds, there may be potential dealing spread costs applicable to purchases and sales. Additionally, there are indirect transaction costs suffered in those underlying sub-funds throughout the holding period for the instruments which are not separately identifiable and do not form part of the analysis above.

The dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions are not separately identifiable and do not form part of the analysis above. The average portfolio dealing spread is disclosed below. Transaction costs vary depending on the transaction value and market sentiment.

The average portfolio dealing spread is disclosed below. Transaction costs vary depending on the transaction value and market sentiment.

## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

#### 16. Portfolio transaction costs (continued)

17/01/2020 to  
31/08/2020

|   |      |
|---|------|
| Analysis of total purchase costs:                               | %    |
| Commissions:  |      |
| Equities percentage of Equities purchases costs                 | 0.03 |
| Equities percentage of average NAV                              | 0.01 |
| Collective Investment Schemes percentage of CIS purchases costs | 0.03 |
| Taxes:  |      |
| Equities percentage of Equities purchases costs                 | 0.08 |
| Equities percentage of average NAV                              | 0.03 |

17/01/2020 to  
31/08/2020  
%

|   |        |
|---|--------|
| Analysis of total sale costs:                               | %      |
| Commissions:  |        |
| Collective Investment Schemes percentage of CIS sales costs | (0.02) |
| Equities percentage of Equities sales costs                 | (0.03) |
| Equities percentage of average NAV                          | (0.01) |

#### Average portfolio dealing spread

As at the balance sheet date, the average portfolio dealing spread was 0.30%, based on close of business prices. This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

#### 17. Unit classes

The Trust currently has two unit classes: GBP Acc and GBP Inc. The annual management charge and Trust management fee can be found on page 5. The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the comparative tables on pages 6. The distribution per unit class is given in the distribution tables on page 38. All classes have the same rights on winding up.

|                                     | Class GBP Acc    | Class GBP Inc     |
|-------------------------------------|------------------|-------------------|
| Opening units                       | —                | —                 |
| Units created in-specie transaction | 7,676,125        | 42,892,203        |
| Units created                       | —                | 14,122            |
| Units liquidated                    | (1,935,628)      | (477,265)         |
| Units converted                     | —                | —                 |
| <b>Closing units</b>                | <b>5,740,497</b> | <b>42,429,060</b> |

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## Barings Targeted Return Fund

### Notes to the Financial Statements (continued)

for the period ended 31 August 2020

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#### 18. Related party transactions

Baring Asset Management Limited (the "Investment Manager") is the immediate parent company of the Manager and also regarded as a related party. The Investment Manager's fees and expenses will be paid by the Manager out of its remuneration from the Trust. As at 31 August 2020, there were no amounts due from or to the Investment Manager in respect of unit transactions.

The Manager exercises control over the Trust and is therefore a related party by virtue of its controlling influence. Amounts paid during the period or due to the Manager in respect of management fees at the balance sheet date are disclosed under Expenses and Other creditors in the notes to the financial statements.

The Manager acts as principal on all transactions of units in the Trust. The aggregate monies received through the issue and cancellations of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Distributions in the notes to the financial statements. Amounts due from or to the Manager in respect of unit transactions at the balance sheet date are disclosed under Debtors and Other creditors in the notes to the financial statements.

Management fee rebates received during the period were £11,779 of which £7,834 was received from investments in Barings Europe Select Fund, as disclosed in note 2 and note 3. Amounts due to the Trust in respect of management fee rebates on the underlying Barings funds are £6,315. This has been disclosed in note 9.

#### Dealings with associates:

There were no brokerage deals for the period effected through connected persons.

Any transactions through related parties are entered into in the ordinary course of business and on normal commercial terms.

#### 19. Post balance sheet events

Subsequent to the period end, the price per unit of the class GBP Accumulation class has increased from 171.40p to 179.30p and GBP Income from 112.10p to 115.30p as at Wednesday, 16 December 2020. This movement takes into account routine transactions but also reflects the market movements including the impact on the financial markets from the increasing fears over the spread of Coronavirus. The Manager continues to monitor investment performance in line with investment objectives.

## Barings Targeted Return Fund

### Distribution Table

| All figures in pence per unit | 2020 Distribution paid/accumulated |
|-------------------------------|------------------------------------|
| Second interim distribution   | 0.9530                             |
| Second interim accumulation   | 1.4322                             |
| Third interim distribution    | 0.9363                             |
| Third interim accumulation    | 1.4192                             |
| Final distribution            | 1.2548                             |
| Final accumulation            | 1.9187                             |

Note: Gross revenue is the same as net revenue as there is no tax on the Trust due to its charitable status.

There were no comparative figures as the Trust launched on 17 January 2020.

#### Income Target CPI+1% p.a.

##### 1 Year Annualised to 31/08/2020

Income Target = 2.18%

Actual = 3.38%

##### 5 Year Annualised to 31/08/2020

Income Target = 2.67%

Actual = 3.85%

The yield objective of CPI plus 1% was achieved during the period with income being derived across a range of the asset classes.

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## Barings Targeted Return Fund

### Important Information

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#### Management and administration

Baring Fund Managers Limited (the “Manager”) is the Manager of Barings Targeted Return Fund (the “Trust”) and the Alternative Investment Fund Manager (“AIFM”) for the purposes of the EU Directive 2011/61/EU (the “AIFMD Directive”), and the Alternative Investment Fund Managers Regulation 2013 (the “Regulations”). The Manager is responsible for managing and administering the Trust’s affairs including portfolio and risk management.

The Trustee of the Trust is NatWest Trustee and Depositary Services Limited (the “Trustee” or “NatWest”). The Trustee is required to carry out the duties specified in the Financial Conduct Authority (“FCA”) Rules and AIFM Regulations, including having responsibility for the safekeeping, oversight and asset verification services in respect of all the Scheme Property entrusted to it.

The Manager has appointed Baring Asset Management Limited as Investment Manager to carry out certain portfolio management functions on its behalf, and has delegated certain administration functions, such as the preparation of financial statements, executing redemption of units, making distributions, and calculating the valuation of units, to NatWest as Trustee. The liability of the Manager shall not be affected by the fact that it has delegated certain day-to-day functions to the Investment Manager and Trustee.

NatWest as Trustee has delegated the function of Fund Custodian and Administrator, as well as certain administration functions, to Northern Trust Global Services SE UK Branch.

#### Conflicts of interest

The FCA Rules and the Regulations contain provisions on conflicts of interest governing any transaction concerning the Trust which is carried out by or with any “affected person”, an expression which covers the Trust, an associate of the Trust, the Manager, an associate of the Manager, the Trustee, an associate of the Trustee, the Investment Manager and any associate of the Investment Manager.

These provisions, among other things, enable an affected person to sell or deal in the sale of property to the Trust or the Trustee for the account of the Trust; vest property in the Trust or the Trustee against the issue of units in the Trust; purchase property from the Trust (or the Trustee acting for the account of the Trust); enter into stock lending transactions or other efficient portfolio management transactions in relation to the Trust; or provide services for the Trust.

Any such transactions with or for the Trust are subject to best execution on exchange, independent valuation or arm’s length and conflicts of interest requirements as set out in the FCA Rules. An affected person carrying out such transactions is not liable to account to the Trustee, the Manager, any other affected person, or to the holders of units for any benefits or profits thereby made or derived. Where transactions with an affected person involve a conflict of interest between the Manager or its associate and the Trust, the Manager will have regard to its obligations to act in the best interest of the Trust.

The Manager will ensure that the Trust and its unitholders are treated fairly and that such transactions are effected on terms which are not less favourable to the Trust and its unitholders than if the potential conflict had not existed.

#### Structure of the Trust

Barings Targeted Return Fund (the “Trust”) is an authorised unit trust. The Trust is registered by the Charity Commission as a charity and its registered number is 1184795. The Charity Trustees of the Trust comprises Baring Fund Managers Limited (the “Manager”), the Advisory Committee and the Trustee, NatWest Trustee and Depositary Services Limited.

#### Market timing

Repeatedly purchasing and selling units in the Trust in response to short-term market fluctuations – known as ‘market timing’ – can disrupt the Manager’s investment strategy and increase the Trust’s expenses to the prejudice of all unitholders.

The Trust is not intended for market timing or excessive trading. To deter these activities, the Manager may refuse to accept an application for units from persons that it reasonably believes are engaged in market timing or are otherwise excessive or potentially disruptive to the Trust.

The Manager also reserves the right to redeem units which it reasonably believes have been purchased by unitholders engaged in market timing.

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## Barings Targeted Return Fund

### Important Information (continued)

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#### Fees and expenses

The Manager's periodic charge is calculated on each business day, based on the value of the property of the Trust on the immediately preceding business day, and is paid to the Manager monthly, in arrears, on the first business day of the calendar month immediately following. The current annual management fees charged to the Trust is 0.40% per annum for Class GBP Acc and Class GBP Inc.

#### Revenue allocations and reports

Revenue allocations are made in 31 January, 30 April, 31 July and 31 October (Final) of each year, where applicable, and forwarded to unitholders together with tax vouchers. The annual report and financial statements for the year ended to 31 August and an interim report and financial statements for the period ended to 28 February will be available on the Baring Asset Management Limited website at [www.barings.com](http://www.barings.com).

#### Scheme Particulars and Manager's Reports

Copies of the Scheme Particulars and the most recent annual or interim report and financial statements are available to all persons free of charge from the Manager upon request.

#### Value Assessment

As part of the FCA's Asset Management Market Study, Authorised Fund Managers are now required to produce an annual Value Assessment for all UK authorised funds. The Manager will publish the first Value Assessment for the Barings funds as part of a broader composite report in the 4th Quarter 2020. This will be made available on [www.barings.com](http://www.barings.com).

#### Remuneration (unaudited)

The Manager's Remuneration Policy ensures the remuneration arrangements as defined in ESMA's "Guidelines on Sound Remuneration Policy under the UCITS directive and AIFMD" (ESMA 2016/411) (the 'ESMA Guidelines'), (as amended) are:

- (i) consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile, rules or instruments of incorporation of the Manager or the Trust; and
- (ii) consistent with the Manager's business strategy, objectives, values and interests and includes measures to avoid conflicts of interest.

The Manager is also subject to the Financial Conduct Authority's ("FCA's") UCITS Remuneration Code (SYSC 19E) and must comply with the UCITS remuneration principles in a way and to the extent that is appropriate to its size and business.

#### Remuneration Committee

Due to the size and nature of the Manager, the Board of Directors considers it appropriate not to apply the requirement to appoint a remuneration committee.

The Manager forms part of the Barings Europe Limited (UK) group of companies ("Barings"). Barings has two remuneration committees to take remuneration decisions, namely the Remunerations Committee and the Senior Compensation Committee. The remuneration committee ensures the fair and proportionate application of the remuneration rules and ensures that potential conflicts arising from remuneration are managed and mitigated appropriately.

#### Remuneration Code Staff

The Manager has determined its Remuneration Code Staff as the following:

1. Senior Management

Senior Management comprises of Directors and all members of the European Management Team ("EMT").

All control functions detailed in section 2 below are also senior managers.

2. Control Functions

The Manager's control functions include the Heads of Risk, Compliance, Legal, Operations, Internal Audit, HR and Finance along with other heads of department in the Executive Committee and the Money Laundering Reporting Officer.

## Barings Targeted Return Fund

### Important Information (continued)

#### 3. Risk takers

Risk takers are defined as the investment managers of the Trust. Investment managers do not work for the Manager directly as the Manager delegates portfolio management to Baring Asset Management Limited ("BAML"). Accordingly, the Manager currently has no risk takers outside of the senior management.

BAML is a BIPRU firm and subject to the Capital Requirements Directive ("CRD") which has equivalent remuneration rules.

#### 4. Employees in the same remuneration bracket as risk takers

The Manager will not treat a person as Remuneration Code Staff if a person's professional activities do not have a material impact on the risk profiles of the firm or the Trust. Accordingly, the Manager currently has no staff in this category.

#### 5. Staff responsible for heading the investment management, administration, marketing and human resources

To the extent that the Manager's staff fall within this category, they are also control function staff falling within section 2 above.

### Remuneration Disclosure (unaudited)

The disclosure below details fixed and variable remuneration paid to Barings Fund Managers ("BFM") staff and BFM Remuneration Code Staff.

|  | Number of beneficiaries | Total remuneration | Total fixed remuneration | Total variable remuneration |
|--|-------------------------|--------------------|--------------------------|-----------------------------|
| Total remuneration paid by BFM in relation to the Trust* | 16                      | £25,001            | £6,029                   | £18,972                     |
| Total Senior Management Remuneration paid by BFM**       | 16                      | £835,331           | £201,441                 | £633,890                    |

The above disclosures are made in line with Barings' interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops, Barings may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other Barings fund disclosures in that same year.

#### Notes:

\*Manager does not make any direct payments to staff who are paid by other Barings Group entities. Figures shown are apportioned on a fund Asset Under Management ("AUM") basis as a proportion of Barings total AUM. Accordingly, the figures are not representative of any individual's actual remuneration.

\*\*Senior management remuneration is apportioned on the basis of the Manager's total AUM as a proportion of Barings total AUM.

Variable remuneration consists of Short Term Incentive awards, Long Term Incentive awards and any other variable payments including benefits in kind and discretionary pension awards.

The Trust does not pay performance fees.

There has been no award of carry interest in the period.

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## Barings Targeted Return Fund

### Directory

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#### **Manager and Alternative Investment Fund Manager ("AIFM")**

Baring Fund Managers Limited

*Authorised and regulated by the Financial Conduct Authority ("FCA").*

#### **Investment Manager**

Baring Asset Management Limited

20 Old Bailey

London, EC4M 7BF

*Authorised and regulated by the FCA.*

#### **Directors of the Manager**

J. Armstrong (non-executive)

E. Browning

R. Kent

J. Swayne

K. Troup (non-executive)

#### **Registered Office**

20 Old Bailey

London, EC4M 7BF

#### **The Advisory Committee**

##### **Simon Duckworth, O.B.E., D.L.**

Chairman of the Advisory Committee. An elected member of the City of London Corporation since 2000, serving on its Policy & Resources, (Dep. Chairman), Finance and Investment Committees. A Non-Executive Director of the Association of Police & Crime Commissioners, Adept4 Plc and Bell Integration Ltd. A member (former Chairman) of the City of London Police's Economic Crime Board. One of Her Majesty's Lieutenants for the City of London.

##### **George P Francis**

A Solicitor for over 40 years, specialising in trusts, tax and charities. Currently a Consultant with New Quadrant Partners in Chancery Lane, a firm he helped to set up in 2010. Acts as a Trustee for many private family trusts and charities, and is a Director of several Trustee Companies.

##### **Susan J Platts-Martin**

Chairman of Baillie Gifford China Growth Trust Plc (formerly Witan Pacific Trust Plc) and Non Executive Director and SID of BlackRock Smaller Companies Trust Plc. A chartered accountant and previously Head of Investment Trusts and Head of Charitable foundations at Fidelity International and a past Protector of Power to Change Trust.

##### **Jonathan Spence**

Fellow and Senior Bursar at Queens' College University of Cambridge, Chairman of the Cambridge Building Society and a Non-Executive Director of the Bank of China (UK) Limited. Former CEO of Singer & Friedlander Limited and Executive Director of Singer & Friedlander Group Plc.

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## Barings Targeted Return Fund

Directory (continued)

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### **Trustee**

NatWest Trustee and Depositary Services Limited

250 Bishopsgate

London, EC2M 4AA

*Authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and PRA.*

### **Administrator & Registrar**

Northern Trust Global Services SE

6 rue Lou Hemmer,

Senningerberg

Luxembourg, L-1748

### **The Administrator & Registrar's principal place of business in the United Kingdom:**

Northern Trust Global Services SE UK Branch

50 Bank Street

London, E14 5NT

*Authorised by the PRA and regulated by the FCA and PRA.*

### **Independent Auditors**

PricewaterhouseCoopers LLP

Atria One

144 Morrison Street

Edinburgh, EH3 8EX

**Address:**

Baring Asset Management Limited  
20 Old Bailey  
London, EC4M 7BF

**Contact:**

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Fax: +44 (0)20 7638 7928  
[www.barings.com](http://www.barings.com)

The Barings logo consists of the word "BARINGS" in a dark blue, serif, all-caps font. Below the text is a horizontal line with a green-to-blue gradient.