BARINGS

GLOBAL EQUITIES

HIGHLIGHTS

POSITIVE PERFORMANCE, POSITIVE GROWTH: Global equity markets have continued to see strong performance in the year to date. Economic growth has been good in Europe and the U.S., buoyed by falling unemployment and widespread improvements in business and consumer confidence. Monetary policy also remains supportive. However, we are cautious that the Fed is preparing to withdraw monetary support in the next few months.

EQUITIES HAVE BEEN RESILIENT: Hurricanes Harvey and Irma were disruptive, but had little lasting impact on equity markets. Political risks, such as the ongoing tensions in North Korea, have also been largely shaken off by global equity markets so far this year.

OUTLOOK

- In our search for compelling investment ideas, we continue to focus on vibrant areas of innovative growth that we see in the global economy today. The common denominator within these areas is that they center on companies with strong intellectual property coupled with robust end markets. When combined with reasonable valuations, we believe this creates attractive investment opportunities.
- One such area of continued growth is the financial technology (FinTech) sector, which encompasses a diverse range of companies including credit card networks, merchant acquirers and payment processors. It is apparent that consumers are increasingly turning away from cash and towards electronic payment mechanisms, which suggests strong long-term growth potential for these companies. We have also seen an increase in mergers and acquisitions in this sector, particularly focused around electronic payments companies where we anticipate further consolidation.
- It has been a good year to date for global equities and the result is that equity valuations are less attractive than they once were, in our view. That being said, we believe this is more true for the U.S. market, which has seen nearly 10 years of uninterrupted outperformance versus international markets. International markets, in contrast, look more reasonably valued. Moreover, despite equity market indexes looking more expensive, our process continues to identify quality companies with attractive growth prospects at reasonable prices.

Barings is a US$288+ billion* global financial services firm dedicated to meeting the evolving investment and capital needs of our clients. We build lasting partnerships that leverage our distinctive expertise across traditional and alternative asset classes to deliver innovative solutions and exceptional service. A member of the MassMutual Financial Group, Barings maintains a strong global presence with over 600 investment professionals and offices in 16 countries.

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*As of June 30, 2017.

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