

Capitalised terms used, but not defined in this note, shall have the meaning set forth in the Prospectus and Supplement related to Barings Eastern Europe Fund.

6th December 2022

Dear Unitholder of the Barings Eastern Europe Fund,

Barings Eastern Europe Fund (the "Fund") was suspended on 1 March 2022 due to the ongoing conflict in Ukraine and the consequent disruption to the Russian equity market. This has caused the following issues in relation to a substantial part of the investment in the Fund:

1. Restrictions in the markets in which the investments are listed or dealt;
2. The disposal of investments of the Fund in relation to potential outflows would not, in the opinion of the Directors, be effected normally or without seriously prejudicing the interests of the Unitholders;
3. Issues with the availability of reliable valuations.

As of the date of this letter, these exceptional circumstances have not changed and therefore the Fund remains suspended.

Since the suspension, Barings has been taking a proactive approach by working closely with regulators to understand their perspectives and to engage in discussions on best ways to manage, and ultimately resolve, the situation, as the conflict in Ukraine is not expected to be resolved in the short-term. It is generally expected across the industry that establishing side-pockets to separate out the affected assets will be the preferred solution for many managers. The complexity in this respect is that UCITS rules do not explicitly provide for side-pocket arrangements and, as a result, we have had to await guidance from local regulators, who have been considering whether to permit such arrangements for UCITS funds on an exceptional basis.

As the Fund is an Irish fund, the appropriate local regulatory guidance has come from the Central Bank of Ireland ("CBI"). In May, the CBI published a paper (see <https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/funds/industry-communications/notice-of-intention-ucits-side-pocket-arrangements.pdf>) envisaging a side-pocket arrangement by way of creating a newly authorised clone UCITS fund into which liquid assets may be transferred. Since then, Barings has had continuing discourse with the CBI and has been working with fund counsel to seek approval from the CBI to establish a side pocket on this basis. Barings is also working with other local regulators in which the Fund is marketed (e.g. the Securities and Futures Commission in Hong Kong) for similar approvals. This process is expected to take several months.

Non-Irish funds governed by their respective local regulations have established side-pockets in a different way than the one proposed by the CBI. For example, the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg proposed to allocate the affected assets to a newly created share class within the existing fund. Creating a new share class is a simpler process than creating a new fund and therefore Luxembourg domiciled funds have been able to tackle this issue more quickly than Irish domiciled funds. However, in our view, whilst the CBI's specified approach will take longer, it offers investors the ability to take a clean break from the impacted assets in the newly created fund.

Barings is committed to finding a solution to allow the suspension to be lifted and our interests are aligned with investors in securing a prompt resolution. As and when side-pocket arrangements have

been granted approval by the regulators, Barings will be communicating further with investors. In the meantime, Barings continues to monitor the situation in Russia and to update its [FAQs](#) on this topic as appropriate.

Yours faithfully,

Barings International Fund Managers (Ireland) Limited