

# AEGON Central European Bond Fund

## GENERAL INFORMATION

|                                    |  |
|------------------------------------|--|
| Fund Manager:                      | AEGON Hungary Fund Manager Ltd.                        |
| Custodian:                         | Unicredit Bank Hungary Zrt.                            |
| Main distributor:                  | AEGON Hungary Befektetési Jegy Forgalmazó Zrt.         |
| Benchmark composition:             | 50% PDLATR Index + 30% HNLATR Index + 20% CHLATR Index |
| ISIN code:                         | HU0000705256   |
| Start:                             | 2007.05.11   |
| Currency:                          | HUF  |
| Total Net Asset Value of the Fund: | 416,176,444 HUF  |
| Net Asset Value per unit:          | 1.208607 HUF   |

## INVESTMENT POLICY OF THE FUND:

The AEGON Hungary Fund Management Co. launched the AEGON Central-European Bond Fund, so that potential investors could profit from those countries' European markets which offer high-yields. Although these countries are developing ones, their macroeconomic background is stable and they are on a growth path. The anticipatory yield of the Fund is higher than the yield of a domestic bond fund, but the risk is also a bit bigger. A high yield, or "junk bond" is a bond issued by a country or a company that is considered to have higher credit risks. The credit rating of a high yield bond is considered "speculative grade", or below "investment grade". This means that the chance of default with high yield bonds is higher than for other bonds. Their higher credit risk means that "junk bond" yields are higher than bonds of better credit quality. Studies have demonstrated that portfolios of high yield bonds have higher returns than other bond portfolios, suggesting that the higher yields more than compensate for their additional default risk. The investment possibilities of the Fund are very wide, so the portfolio manager has a widespread financial leeway to build up an optimal portfolio. We target the utmost yield by taking the lowest risk. By taking investment decisions we use fundamental and technical analysis, and we certainly keep an eye on the market sentiment. Our investment decisions are supported by a special investment-planning model, which contains important macroeconomic data and indicators, like the anticipated level of inflation in these countries, their GDP growth, their credit ratings and so on. The portfolio manager generates a so-called risk – yield map, by focusing on the anticipated macroeconomic environment, the anticipated yield curve, and the above-mentioned model. Ultimately, the map demonstrates which risk-yield pairs are considered to be safe and offer relatively high yields at the same time.

## DISTRIBUTORS

AEGON Magyarország Befektetési Jegy Forgalmazó Zrt., BNP-Paribas Magyarországi Fióktelepe, CIB Közép-Európai Nemzetközi Bank Zrt., Codex Értéktár és Értékpapír Zrt., Commerzbank Zrt., CONCORDE Értékpapír Zrt., Equilor Befektetési Zrt, Erste Befektetési Zrt., Raiffeisen Bank Zrt., Takarékbank Zrt, Unicredit Bank Hungary Zrt.

## NET YIELD PERFORMANCE OF THE FUND:

| Time horizon    | 12 months | 2010 year | 2009 year | 2008 year |
|-----------------|-----------|-----------|-----------|-----------|
| Investment note | 8.67 %    | 11.80 %   | 16.47 %   | -16.10 %  |
| Net benchmark   | 6.58 %    | 11.79 %   | 25.76 %   | -4.70 %   |

## NET PERFORMANCE OF THE FUND

NET ASSET VALUE PER SHARE, 2010.11.01 - 2011.10.31



Past performance is no guarantee of future results. This report should not be considered as an offer or investment advisory. The Fund Prospectus contains the detailed conditions of the investment. The distribution costs of the fund purchase can be found at the distributors.

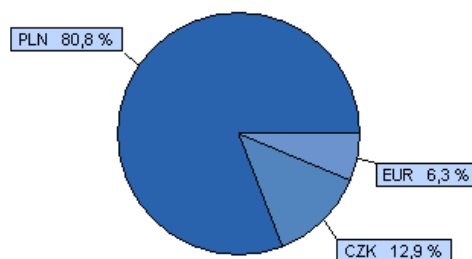
## MARKET SUMMARY:

Global risk assets staged a rally in October after macro and company level data came in better than expected as sentiment had deteriorated sharply in the previous two months. The bold action plan announced after the EU summit toward the end of the month improved confidence further. Our fund posted a return above 5% and also outperformed its benchmark by 100bps due to active position-taking. The strong return was due to the HUF hugely underperforming PLN and CZK as local headlines spooked investors. The government's unorthodox policies (most importantly the out-of-market mortgage repayment scheme), the risk of a rating agency downgrade and the large eurobond rollover that the Hungarian government is facing next year left investors cautious and skeptical of Hungary's debt sustainability. Currencies were the main driver of fund performance, while bond yields in all CEE markets were relatively stable in October.

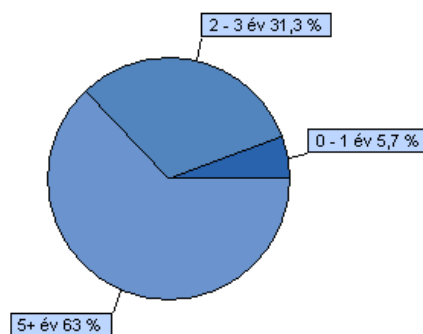
## ASSET ALLOCATION OF THE FUND ON 10/31/2011

| Asset type             | Weight   |
|------------------------|----------|
| treasury bonds         | 79.52 %  |
| T-bills                | 4.85 %   |
| Receivables            | 12.52 %  |
| Current account        | 3.12 %   |
| total                  | 100.00 % |
| Derivative products    | 0.00 %   |
| Net corrected leverage | 100.00 % |

## Currency exposure:



## Bondy by tenor:



## INVESTMENT HORIZON:

Suggested minimum investment period:



Risc Scale:

