

Aegon Polish Bond Fund

P series

GENERAL INFORMATION

Fund Manager:	AEGON Hungary Fund Manager Ltd.
Custodian:	Unicredit Bank Hungary Zrt.
Main distributor:	AEGON Hungary Fund Manager Ltd.
Benchmark composition:	100% TBSP Index
ISIN code:	HU0000713565
Start:	03/28/2014
Currency:	PLN
Total Net Asset Value of the whole Fund:	6,723,193,861 HUF
Net Asset Value of P series:	29,069,081 PLN
Net Asset Value per unit:	1.077468 PLN

INVESTMENT POLICY OF THE FUND:

The aim of the investment fund is to give investors access to the Polish bond market and to function as a relatively stable, medium-risk investment already medium term, offering our customers stable real returns without the need to tie up their savings for a fixed period. The fund primarily invests into Zloty denominated Polish government bonds but the portfolio manager has some room to use other fixed income investments. We aim to maximise returns with the given risk level. Our investment decisions are based on fundamental research extended by technical research while we also take into account global market sentiment. Expected shifts in the yield curve based on our macro expectations are at the core of our investment process. Risk/return characteristics are also considered when we select suitable and safe investments. We aim to totally hedge any currency risk in the fund.

DISTRIBUTORS

Aegon Towarzystwo Ubezpieczeń na Życie Spółka

NET YIELD PERFORMANCE OF THE FUND:

Interval	Yield of note	Benchmark yield
From start	4.33 %	5.60 %
2015	0.22 %	1.68 %

NET PERFORMANCE OF THE FUND

NET ASSET VALUE PER SHARE, 01/01/2015 - 12/31/2015



— Aegon Polish Bond Fund P series — Benchmark

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.

RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields:	4.06 %
Annualized standard deviation of the benchmark's weekly yields:	3.88 %

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

Event risks, low liquidity and local news were the main catalysts in December for the Polish bond market. The last month of the year started with relatively low yields due to the heightened expectations regarding ECB. On the 3rd of December ECB eased further, but without a deposit rate cut by more than 10bps and/or an increase in the monthly amount of purchases market participants were clearly disappointed. As the ECB could not meet the market expectations induced by itself, risk assets including bonds tumbled after the announcement across the world. Deteriorating global risk sentiment coupled with a very low liquidity and bad local news coming from Poland. Political turmoil with Constitutional Court, concerns about the increase of the fiscal deficit, bank and insurance asset tax introduction, switch auction (the Ministry of Finance sold 2, 5 and 10 year bonds worth close to 6,5 bln PLN) and rebalancing before a possible Fed rate hike put a very significant pressure on POLGBs, that seriously underperformed other European government bonds and regional peers: yield of the 2 year bond increased by 30 bps, yield of the 5 year bond increased by 60 bps, while the yield of the 10 year bond increased by 66 bps before they started to stabilize from oversold levels. The FED successfully conducted the first rate hike in the US since 2006, without triggering a further deterioration of the risk sentiment. The last main event was done and market participants were relieved after the first hike. Meanwhile, fuel prices continued their fall as the WTI dropped by 11% and Brent devaluated by 17%. After the panic sell-off long end yields in Poland fell by 30 bps, however volatility remained very high. At the year end short-end yields and asset swap spreads fell further mainly due to the rumour, that POLGBs may be exempted from tax put on bank's assets in 2016, but this move was also supported by the expected changes in the Polish MPC and possible rate decrease.

ASSET ALLOCATION OF THE FUND ON 12/31/2015

Asset type	Weight
Government bonds	86.68 %
Corporate bonds	6.91 %
T-bills	3.99 %
Receivables	1.76 %
Current account	1.28 %
Liabilities	-0.32 %
Market value of open derivative positions	0.05 %
total	100.00 %
Derivative products	8.73 %
Net corrected leverage	104.37 %

TOP 5 POSITIONS

PLGB 2018/04/25 3,75% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)
PLGB 2026/07/25 2,5% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)

Assets with over 10% weight

PLGB 2018/04/25 3,75% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)

Bonds by tenor:

