

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:	8,459,225,231 HUF
Net Asset Value of P series:	29,769,598 PLN
Net Asset Value per unit:	1.089014 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 Ubezpieczen na Zycie Spolka

NET YIELD PERFORMANCE OF THE FUND:

Interval	Yield of note	Benchmark yield
From start	4.53 %	5.70 %
2015	0.22 %	1.68 %

NET PERFORMANCE OF THE FUND

NET ASSET VALUE PER SHARE, 03/01/2015 - 02/29/2016



— 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: 3.93 %

Annualized standard deviation of the benchmark's weekly yields: 3.77 %

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

The global environment has not changed much for the biggest part of February: bond markets were even more skeptical about the chances of a Federal Reserve interest rate increase, inflation expectations continued to fall, as 5y5y inflation swap hit new all-time low with 1,4% and expectations about a further, significant easing by the ECB has increased. As a result, core market yields decreased further: the yield of the 10 Yr Treasuries were below 1,7% (although only for a short period of time), and the yield of the 10Yr Bunds gradually decreased to 11 bps (started the month with 35 bps). On the Polish market local newsflow was quite calm this month, that helped the consolidation, which was boosted by the global environment. The Zloty first managed to stabilize, and could even appreciate this month. As the foreign investors slashed holdings of Polish bonds by a record 13,1 billion Zloty in January (after S&P unexpectedly cut the country's credit rating), there was a significant potential buying power in case of stabilizing local sentiment (the positioning was clearly light). The valuation of Polish bonds was still favorable, and the recent significant underperformance and steep curve also supported the market. The Ministry of Finance had a very successful action: there was a huge demand for the 10 Yr government bond (5,66 bln zloty), and the appetite for duration was clearly there throughout February. The Polish CPI was lower than expected (-0,7% vs. -0,5%), while retail sales growth surprised on the downside and construction data was also weak that were supportive for bonds again (soft data reinforces the case for a dovish MPC). The Ministry of Finance had another very successful action: there was a huge demand for the 5 Yr government bond (7,3 bln zloty). As a result, there was a significant flattening of the yield curve: the yield of the 5Y paper came down by 20 bps to 2,15%, while the yield of the 10Y paper came down only by 30 bps to 2,85%, before levels started to be stretched and rally seemed to be a bit exhausted. On the macro front, oil prices seemed to be stabilizing (at least for a short period of time), and US macro started to improve increasing the chance of a further increase in the base rate this year, that coupled with very stretched valuation levels in terms of core yields. After a huge rally in Poland we decided to close most of our overweight in duration with a bullish curve position, took profit and turned to a more neutral strategy.

ASSET ALLOCATION OF THE FUND ON 02/29/2016

Asset type	Weight
Government bonds	75.51 %
T-bills	16.49 %
Corporate bonds	6.42 %
Liabilities	-9.33 %
Receivables	6.26 %
Current account	4.71 %
Market value of open derivative positions	0.02 %
total	100.00 %
Derivative products	7.04 %
Net corrected leverage	103.52 %

TOP 5 POSITIONS

PLGB 2021/04/25 2% (Lengyel Állam)
PLGB 2018/10/25 0% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)
PLGB 2023/10/25 4% (Lengyel Állam)

Assets with over 10% weight

PLGB 2021/04/25 2% (Lengyel Állam)
PLGB 2018/10/25 0% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)

Bonds by tenor:

