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:	6,821,088,193 HUF
Net Asset Value of P series:	30,079,604 PLN
Net Asset Value per unit:	1.084865 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. Expexted 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

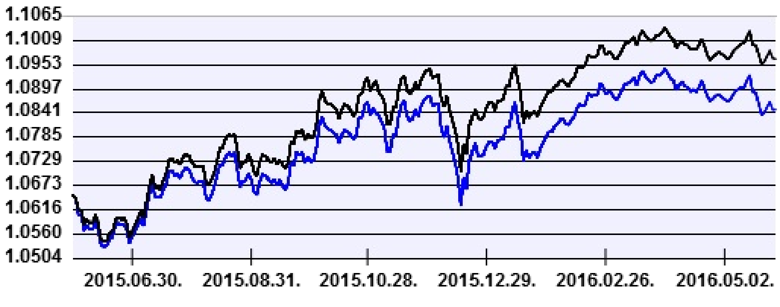
Aegon Towarzystwo Ubezpieczen na Zycie Spolka

NET YIELD PERFORMANCE OF THE FUND:

Interval	Yield of note	Benchmark yield
From start	3.82 %	4.96 %
2015	0.22 %	1.68 %

NET PERFORMANCE OF THE FUND

NET ASSET VALUE PER SHARE, 06/01/2015 - 05/31/2016



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: 3.65 %

Annualized standard deviation of the benchmark's weekly yields: 3.58 %

INVESTMENT HORIZON:

Suggested minimum investment period:

3 months | 6 months | **1 year** | 2 years | 3 years | 4 years | 5 years

Risk and Reward Profile:

very low | low | **moderate** | intermediate | significant | high | very high

MARKET SUMMARY:

May was characterized by two different sub-periods for the Polish bond market. The first half of the month resulted in a strong performance of Polish bonds: 5Y yields decreased by 14 bps to 2,21%, 10Y yields decreased by 17 bps to 2,9%. This was partly caused by the weak macro data, fueling rate cut expectations: headline inflation continued to undershoot expectations representing the 6th consecutive downside surprise, core inflation hit a 10-year low in March, Q1 GDP growth was 3% versus market consensus of 3,5% and Polish manufacturing PMI fell sharply in April to 51 versus 53 consensus. Globally a weak NFP data in the USA supported bond markets (just 160.000 jobs were added in the month of April versus 200.000 consensus) that kept growth concerns alive and pushed probabilities of a coming FED rate hike even lower, however that were already incredibly low. On top of that, Poland avoided a second credit-rating reduction in its history, however it was widely expected, as Moody's cut only its outlook but left its rating unchanged. That was a significant positive surprise for the markets causing a rally in EURPLN and Polish bond yields, however that lasted only for one day after the announcement. The second half of the month was characterized by a completely different newsflow. The rhetoric from the FED changed significantly: several decision makers signaled, that rate hike even in June is still on the stable and absolutely can not be ruled out repricing Fed rate hike expectations, that put the fragile Polish bond market under pressure. Along with the changing global environment local sentiment was characterized by bad newsflow: fiscal risks, potential harmful mortgage conversion plan, Constitutional Tribunal crisis attracted again attention and the credibility of some statistical data came into question (according to some analysts in reality inflation and GDP growth may be higher than the actual data shows). Meanwhile Polish activity data rebounded with a quite strong industrial output and retail sales print, confirming that GDP slowdown on Q1 should be a one-off and next quarters will be better. Along with the stable rhetoric coming from Polish MPC members stating that no rate cuts are necessary, rate cut expectations decreased significantly in Poland. All of that together caused a huge sell-off on the Polish bond market, 5Y yields were hit seriously: yields skyrocketed by 32bps from the low level to 2,43%, while 10Y yields increased by 20 bps to 3,1%.

During the month Adam Glapinski has been named as the successor to Marek Belka at the helm of the central bank, as expected.

ASSET ALLOCATION OF THE FUND ON 05/31/2016

Asset type	Weight
Government bonds	70.87 %
T-bills	22.22 %
Corporate bonds	6.08 %
Current account	0.99 %
Liabilities	-0.11 %
Market value of open derivative positions	0.05 %
total	100,00 %
Derivative products	5.98 %
Net corrected leverage	102.98 %

TOP 5 POSITIONS
PLGB 2021/07/25 1,75% (Lengyel Állam)
PLGB 2018/10/25 0% (Lengyel Állam)
PLGB 2023/10/25 4% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)
PLGB 2026/07/25 2,5% (Lengyel Állam)

Assets with over 10% weight
PLGB 2021/07/25 1,75% (Lengyel Állam)
PLGB 2018/10/25 0% (Lengyel Állam)
PLGB 2023/10/25 4% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)

Bonds by tenor: