

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:	5,602,233,435 HUF
Net Asset Value of P series:	30,365,228 PLN
Net Asset Value per unit:	1.095630 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	3.98 %	5.00 %
2015	0.22 %	1.68 %

NET PERFORMANCE OF THE FUND

NET ASSET VALUE PER SHARE, 08/01/2015 - 07/31/2016



----- 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: 3.50 %

Annualized standard deviation of the benchmark's weekly yields: 3.40 %

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

This month was somewhat calmer for the Polgbs than usually this year despite colorful newsflow. Most important events are the followings chronologically.

S&P affirmed Poland's rating at BBB+, but highlighted concerns about public finances, the weakened system of checks and balances between key institutions and the issue of paralyzed Constitutional Tribunal, outlook remained negative.

NBP kept the base rate unchanged at 1,5% as expected and reiterated preference for rate stability. Polish central bank cut 2016 CPI, GDP growth and 2017 GDP growth forecast (-0,5% vs. -0,4%, 3,2% vs. 3,8%, 3,5% vs 3,8%, respectively). Poland has presented a plan about changes in Open Pension Funds, that aims at boosting household savings. Moreover, the assets held at OFEs (privately-owned pension funds) will be split in two parts: the liquid assets (PLN 35 bln) will be transferred to the state managed Demographic Reserve Fund. The plan seems to be slightly supportive for bond and negative for equities.

Fed minutes showed officials losing confidence in need to hike, the FOMC has become much more cautious. Interestingly, a larger NFP print in the US failed to produce a bond sell-off globally.

Poland sold 2,66 bln zloty of 10Y paper, 0,214 bln zloty of 0428 paper and 1,56 bln zloty of 3Y paper at the first auction of July, market absorb well the supply after the initial sizable sell-off as overall size was not big and not every bid was filled as we have seen before.

Fitch affirmed Poland's rating at A-, reflecting its solid macro fundamentals, but highlighted reduced predictability in economic policy, outlook remained stable, which was a positive surprise.

Polish high frequency macro data were better than expected with IP, FPI and retail sales all beating estimates affirming stable rate expectations.

The ECB did not ease further, the statement was a touch less dovish than expected but Draghi hinted on the importance of September's meeting. However, we think that the ECB will only act if data starts providing evidence of a clear threat to the economic outlook.

Polish Parliament passed top court overhaul failing to resolve significant concerns.

FOMC statement of the July meeting was cautious but came with a somewhat upbeat assessment of economic conditions suggesting a growing chance that it would increase rates later this year.

Poland sold 5,03 bln zloty of 5Y paper, 2,92 bln zloty of floaters at the end of the month. Market absorbed well the supply despite the quite aggressive size, however 5Y papers underperformed. Moreover, the Finance Ministry announced that it aims to sell as much as 25 billion zloty of bonds in the 3rd quarter.

In Japan BoJ disappointed markets as it opted for only a limited stimulus expansion via ETFs, but did not change the size of the bond purchases. However, Abe announced a new fiscal stimulus package. Close to the end of the month a very disappointing performance of the US economy in the 2Q16 (very weak GDP data: 1,2% vs. 2,5% expected) supported global bond markets again. During July markets were pricing in further central bank stimulus (the probability of a Fed rate hike by year-end hit a low at 12%), however ECB and BoJ did not deliver the expectations.

5Y part of the curve significantly underperformed, partly due to the bigger issuance, partly due to stretched levels and ended the month higher in terms of yields. The long-end in Poland has been well supported in July by better than expected budget deficit numbers year-to-date and the grab for yield from international buyers. However, vulnerabilities may start to appear in the long-end as the implications of the cuts to retirement age and other fiscally burdensome measures may filter through.

ASSET ALLOCATION OF THE FUND ON 07/31/2016

Asset type	Weight
Government bonds	73.57 %
T-bills	15.36 %
Corporate bonds	1.58 %
Current account	8.93 %
Receivables	0.56 %
Liabilities	-0.08 %
Market value of open derivative positions	0.06 %
total	100,00 %
Derivative products	7.24 %
Net corrected leverage	103.62 %

TOP 5 POSITIONS

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

Assets with over 10% weight

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

Bonds by tenor:

