

# Aegon Polish Money Market Fund PLN 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% WBID 1M Index
ISIN code:	HU0000711601
Start:	10/26/2012
Currency:	PLN
Total Net Asset Value of the whole Fund:	29,371,520 PLN
Net Asset Value of PLN series:	29,065,480 PLN
Net Asset Value per unit:	1.071001 PLN

## INVESTMENT POLICY OF THE FUND:

The Fund's goal is to offer a stable and predictable yield at a low risk level for the investors. According to this the fund is only allowed to hold fixed income securities, which were primarily issued or guaranteed by Poland. To a limited extent it is allowed to buy bonds issued by the European Union (and its institutions), the European Central Bank, or the European Investment Bank, if the security is denominated in PLN and its credit rating is at least equal to Poland's rating. Securities issued or guaranteed by Poland can be held regardless of the credit rating up to 100% of the NAV. Maximum allowed duration of the fund is 0.5 year, while maximum weighted average maturity of the portfolio is 1 year. The Fund must limit investment in securities to those with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days. To ensure liquidity the fund can also place bank deposits. All of the assets held by the fund are denominated in PLN.

## DISTRIBUTORS

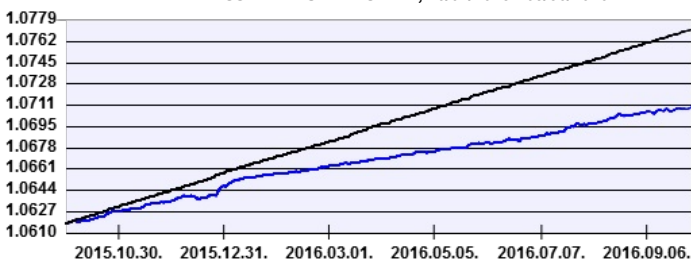
Aegon Towarzystwo Ubezpieczeń na Życie Spółka

## NET YIELD PERFORMANCE OF THE FUND:

Interval	Yield of note	Benchmark yield
From start	1.76 %	2.10 %
2015	0.92 %	1.53 %
2014	1.85 %	2.23 %
2013	2.89 %	2.71 %

## NET PERFORMANCE OF THE FUND

### NET ASSET VALUE PER SHARE, 10/01/2015 - 09/30/2016



----- Aegon Polish Money Market Fund PLN 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: 0.11 %

Annualized standard deviation of the benchmark's weekly yields: 0.04 %

## INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



## MARKET SUMMARY:

In September the moderate sell-off in Polish government bonds - that started in the second half of August - continued. Polish bond yields were range traded this month with higher volatility and ultimately increased by 10-15 bps.

According to Fitch, draft budget for 2017 was based on overly optimistic assumptions regarding increase of tax revenues and economic growth. However, Fitch's analysts believe that 3% deficit threshold is an important anchor for the government and do not expect it to be breached. This comment may not suggest a high risk of a downgrade in Poland's credit rating by the Fitch.

Poland sold 3,33bn zloty of 10Y paper, 1,75bn zloty of 2Y paper, 2,51bn zloty of floaters at the first auction of the month. The demand was strong for the papers (11,3bn vs 7,6bn issued) and market absorbed well the supply. Mrowiecki said a week before the nearing rating decision, that Mbody's likely to change Poland rating, that was fuel to the fire, increasing the bond yields by 5-9bps that day.

Disappointing US macro data (NFP, ISM PM), declining likelihood of a Fed rate hike and improving global bond market sentiment provided only a temporary relief for Polish bonds: mostly international buyers came in before the NBP and ECB spoiled the sentiment. Polish MPC was more hawkish than market expected with the governor talking more about rate hikes than rate cuts. The ECB also disappointed markets by doing nothing and downplaying the need for further stimulus. Central bankers globally are reconsidering the efficiency of monetary stimulus, that was the main theme of the month. Higher core rates coupled with a sell off in Polish bonds. Finally, Mbody's did not change the rating of Poland, that improved local market sentiment, but bond yields slightly increased further based on weak global bond market sentiment.

The Bank of Japan shifted policy framework from further additional stimulus to controlling interest rates, which some economists deemed as further evidence the BOJ policy had reached the limits of its effectiveness.

Softer US data and finally the FOMC decision - no rate hike - improved the bond market sentiment causing a 10-15 bps rally in Polish medium and long term bond yields too. However, the likelihood for one rate hike this year (probably December) increased based on the communication and the fact, that there were 3 dissenters this time.

Expectations about stable rates in Poland were further confirmed by strong high frequency macro data (industrial output 7,5% vs 5,4%, retail sales 5,6% vs 4,5%). Manufacturing PMI also rebounded in August to 51,5 from 50,3 in July (vs 50,6 forecast). Solid data on export orders suggest that export may remain the key driver of Polish economic growth. Meanwhile, budget deficit numbers came better than expected causing the 10Y-5Y bond yield spread tightening. However, new hints came to light about the minimum pension increase and some 2017 budget spending may be moved to 2016 in order to improve the next year's numbers.

We had a very huge switch auction in Poland: the Ministry of Finance sold 12,74bn zloty of notes filling almost all bids. The belly came under serious pressure after they issued 5Y bonds worth close to 6bn zloty. Poland has met 91% of 2016 borrowing needs and is willing to prefinance as much as 20%. Local sentiment somewhat deteriorated after PM announced changes in the government: market friendly Finance minister Pawel Szalacha was replaced by Mateusz Mrowiecki.

The rally finally lost steam (based on huge Polish auction, profit taking on global bond markets and changes in Polish government) and Polish bond yields finished September close to the monthly peak.

## ASSET ALLOCATION OF THE FUND ON 09/30/2016

Asset type	Weight
T-bills	35.80 %
Government bonds	22.73 %
Current account	27.99 %
Deposit	13.64 %
Liabilities	-0.06 %
total	100,00 %
Derivative products	0.00 %
Net corrected leverage	100.04 %

## TOP 5 POSITIONS

PLGB 2017/07/25 0% (Lengyel Állam)  
 PLGB 2016/10 4,75% (Lengyel Állam)  
 PLGB 2017/04 4,75% (Lengyel Állam)

## Assets with over 10% weight

PLGB 2017/07/25 0% (Lengyel Állam)  
 PLGB 2016/10 4,75% (Lengyel Állam)  
 PLGB 2017/04 4,75% (Lengyel Állam)

## Bonds by tenor:

