

Aegon Polish Bond Fund HUF 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:	HU0000705256
Start:	05/11/2007
Currency:	HUF
Total Net Asset Value of the whole Fund:	5,078,414,244 HUF
Net Asset Value of HUF series:	94,707,736 HUF
Net Asset Value per unit:	1.438487 HUF

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

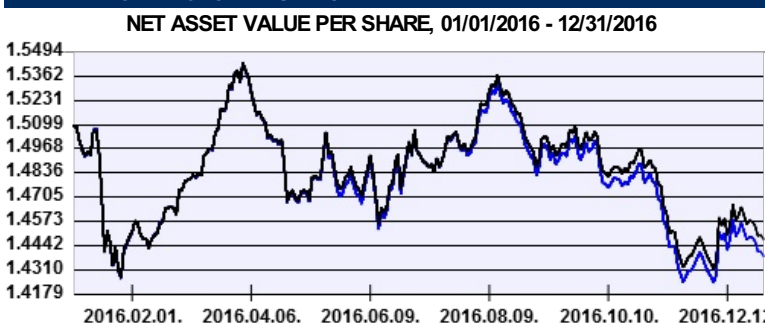
Aegon Magyarország Befektetési Alapkezelő Zrt., CIB Bank Zrt., Citibank Europe plc Magyarországi Fióktelepe, Codex Tőzsdéügynökség és Értéktár Zrt., Commerzbank Zrt., CONCORDE Értékpapír Zrt., Equilor Befektetési Zrt, Erste Befektetési Zrt., Raiffeisen Bank Zrt., SPB Befektetési Zrt., Unicredit Bank Hungary Zrt.

NET YIELD PERFORMANCE OF THE SERIES:

Interval	Yield of note	Benchmark yield
From start	3.84 %	7.00 %
2016	-4.68 %	-4.08 %
2015	-0.35 %	1.10 %
2014	11.85 %	12.94 %
2013	-0.50 %	2.13 %
2012	12.10 %	15.01 %
2011	8.99 %	9.57 %
2010	11.80 %	14.15 %
2009	16.47 %	28.27 %
2008	-16.10 %	-2.99 %

NET PERFORMANCE OF THE SERIES

NET ASSET VALUE PER SHARE, 01/01/2016 - 12/31/2016



— Aegon Polish Bond Fund HUF 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.

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

December proved to be quite volatile for the Polish bond market. In the first part of the month global bond yields continued their move with yields grinding higher on the prospect of fiscal stimulus under President-elect Trump, especially in the US. Then, after a huge sell-off on global fixed income markets we experienced a rebound, especially in Europe, partly supported by the extension of the ECB QE.

Polish bonds were traded in tandem with the global bond market sentiment until the end of the month, however local market seemed to be quite volatile and illiquid, as changes by 10-15 bps in yields were followed by another movements by the same amount on the next day but in the opposite direction continuously. In case of the most important benchmark yields a change by 40 bps from the monthly highs to the monthly lows was not completely extraordinary this month.

At the end of the year Polish bond yields decoupled from other European peers due to local developments. Consumer prices rose by 0,8% YoY in December, significantly faster than 0,4% expected by the consensus. In Q1 2017 CPI could reach 1,5% YoY thus hitting the floor of the +/- 1 pp range around the central bank's inflation target of 2,5%. The surprise came during a quite illiquid period, and as a result bond yields increased significantly on the last days of the year. Medium to long end bond yields ended the month more or less unchanged (with a huge volatility) meanwhile the short end yields (especially 2Y-3Y papers) rose spectacularly, decreasing the steepness of the Polish yield curve.

Last but not least, the Ministry of Finance announced changes to the policy of Treasury bonds auctions. The new model starts on 4th of January: 5 bonds will be issued, which means, that almost all part of the yield curve will be offered on every auction.

ASSET ALLOCATION OF THE FUND ON 12/31/2016

Asset type	Weight
Government bonds	82.02 %
Corporate bonds	10.83 %
T-bills	4.94 %
Current account	2.33 %
Receivables	0.11 %
Liabilities	-0.09 %
Market value of open derivative positions	-0.12 %
total	100.00 %
Derivative products	10.58 %
Net corrected leverage	105.29 %

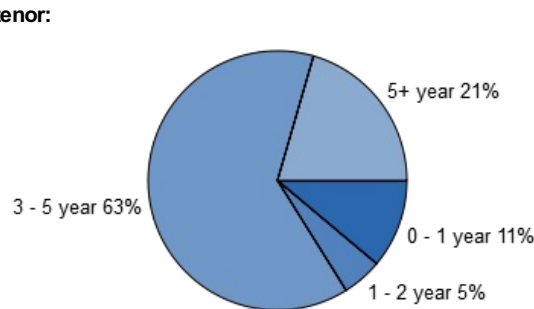
TOP 5 POSITIONS

PLGB 2021/07/25 1,75% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)
PLGB 2025/07 3,25% (Lengyel Állam)
MOL 2017/04/20 5.875% (MOL Nyrt.)
PLGB 2020/04 1,5% (Lengyel Állam)

Assets with over 10% weight

PLGB 2021/07/25 1,75% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)
PLGB 2025/07 3,25% (Lengyel Állam)
MOL 2017/04/20 5.875% (MOL Nyrt.)

Bonds by tenor:



RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields: 7.46 %
Annualized standard deviation of the benchmark's weekly yields: 7.46 %