

Aegon Polish Bond Fund institutional 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:	HU0000710942
Start:	08/07/2012
Currency:	PLN
Total Net Asset Value of the whole Fund:	2,570,188,043 HUF
Net Asset Value of institutional series:	31,819,075 PLN
Net Asset Value per unit:	1.177835 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 SERIES:

Interval	Yield of note	Benchmark yield
From start	3.72 %	4.36 %
2016	0.22 %	0.25 %
2015	0.83 %	1.68 %
2014	9.56 %	9.45 %
2013	0.46 %	1.99 %

NET PERFORMANCE OF THE SERIES

NET ASSET VALUE PER SHARE, 02/01/2016 - 01/31/2017



— Aegon Polish Bond Fund institutional 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: 2.82 %

Annualized standard deviation of the benchmark's weekly yields: 2.76 %

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

In January Polish bond yields increased gradually on the back of firming macro data in Europe, some tapering expectations and sell-off in periphery yields. Local macro data was not helping either with PMI, retail sales, industrial output, inflation numbers pointing toward an increase in economic momentum. During the next two quarters inflation will be boosted by statistical base effects, PLN and commodity price spike (CPI to reach around 2% in H1).

The MPC kept rates on hold during its January meeting. During the press conference, the NBP governor interpreted the risks for inflation as balanced and symmetrical. Recent uptick in inflation is treated as exogenous. Governor Glapinski reiterated his view that, by holding nominal rates constant in the face of higher inflation, the NBP will allow real rates to drift below zero and stimulate the economy. With increasing inflation and economic activity, MPC proved to be less hawkish than previously, however higher headline inflation may demand higher nominal yields.

The new auction system went well, issuance was smooth, it will be more difficult to buy cheap bonds on auctions after the changes. The Ministry of Finance reached the level of ca. 35% of the borrowing requirements after the first 2 auctions in January, however prefinancing was 26%.

Altogether Polish bond yields increased by 15-25 bps during January.

ASSET ALLOCATION OF THE FUND ON 01/31/2017

Asset type	Weight
Government bonds	82.66 %
Corporate bonds	0.68 %
Current account	16.07 %
Receivables	0.63 %
Liabilities	-0.03 %
Market value of open derivative positions total	0.00 %
Derivative products	0.11 %
Net corrected leverage	100.04 %

TOP 5 POSITIONS

PLGB 2021/07/25 1,75% (Lengyel Állam)
PLGB 2025/07 3,25% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)

Assets with over 10% weight

PLGB 2021/07/25 1,75% (Lengyel Állam)
PLGB 2025/07 3,25% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)
PLGB 2022/09 5,75% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)

Bonds by tenor:

