

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:	2,811,872,192 HUF
Net Asset Value of institutional series:	16,698,004 PLN
Net Asset Value per unit:	1.219255 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	3.86 %	4.51 %
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, 11/01/2016 - 10/31/2017



— 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.

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

Polish government bonds had a mixed month. In the first week of October yields were inching up, then decreased significantly (especially the long end). In the second part of October short term yields come down again becoming quite expensive (~30 bps below base rate - partly because of a big redemption and coupon payments worth ~18bln PLN), belly remained more or less unchanged, meanwhile long end started to sell off (partly because of the returning issuance) ending the month higher in terms of YTM. The steepness of the whole yield curve is more attractive than recently.

The high frequency data signalled that the economy may have accelerated in Q3 (GDP growth should be higher than 4%). Retail sales rose by 8,6% (consensus was 7,9%), employment in the enterprise sector rose by 4,5% (consensus was 4,6%), average gross wages rose by 6% (consensus was 6,2%).

We got some interesting comments from MPC members. Some members were claiming that a rate hike might be needed in 2018 (but someone spoke about rate cut potential too). However, Glapinski still favours stable rates and that should be the most probable path for the markets for the coming months, at least.

Issuance returned to the market: the Ministry of Finance held 2 auctions, a switch and a normal auction. Auctions were ok (almost 7 bln PLN issued on switch, 8bln PLN on normal auction), demand was ok, however long end papers circulated in the system after the auction keeping yields relatively higher.

ASSET ALLOCATION OF THE FUND ON 10/31/2017

Asset type	Weight
Government bonds	86.11 %
T-bills	11.74 %
Receivables	3.83 %
Liabilities	-3.32 %
Current account	1.65 %
total	100,00 %
Derivative products	0.00 %
Net corrected leverage	100.00 %

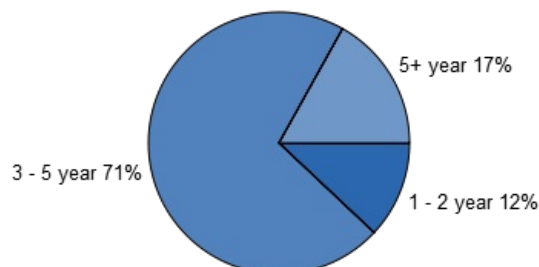
TOP 5 POSITIONS

PLGB 2022/04/25 2,25% (Lengyel Állam)
 PLGB 2021/07/25 1,75% (Lengyel Állam)
 PLGB 2019/04/25 0% (Lengyel Állam)
 PLGB 2027/07/25 2,5% (Lengyel Állam)
 PLGB 2021/04/25 2% (Lengyel Állam)

Assets with over 10% weight

PLGB 2022/04/25 2,25% (Lengyel Állam)
 PLGB 2021/07/25 1,75% (Lengyel Állam)
 PLGB 2019/04/25 0% (Lengyel Állam)

Bonds by tenor:



RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields: 2.58 %
 Annualized standard deviation of the benchmark's weekly yields: 2.64 %