

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:	10,721,731,378 HUF
Net Asset Value of institutional series:	102,271,607 PLN
Net Asset Value per unit:	1.253399 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	3.79 %	4.44 %
2017	4.17 %	4.77 %
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, 09/01/2017 - 08/31/2018



— 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 were rock-solid again: yields closed the month almost unchanged, only the short end was a bit lower than a month ago. The trading range was very tight, approximately 10bps. The big story in EM remained Turkey (and other countries with weaker fundamentals like Argentina). Polish government bonds were being traded somewhere between EM and core markets and as a result yields increased a bit along with Turkey, but the Polish change was very muted. Moving on with economic data, Q2 GDP rose by 5,1% y/y, while CPI has stabilized at 2% y/y and expected to decrease due to base effects. 2-2,1% may mark the top of inflation in Poland this year, while core inflation should be steadily growing. We do not expect that the MPC is going to worry until rising core inflation is accompanied by another round of headline CPI increases. More interestingly, the PMI surprised to the downside, having fallen from 54,2 to 52,9 in July and 51,4 in August. However, the relationship in Poland between short term changes in PMI and GDP growth is weak, and unstable over time, but still interesting to see the evolution of the PMI figures. Another interesting change was the July's budget data. After seven months of the year, the budget recorded a deficit of PLN 0,9bn which marks large deterioration from 9,5bn surplus after 1H18. The data implies that monthly deficit in July amounted to PLN10,3bn. Although the scale of deterioration in the fiscal balance is large, the detailed data suggests the surprise was largely due to large debt service costs. We don't know what exactly stood behind larger debt service costs (with the known data, it is not logical) but the year-end deficit is still expected to reach PLN 20-25 bn this year despite the original (bigger) plan. We continued to be cautious regarding Polish duration given very stretched levels and hold Hungarian government bonds instead of the Polish short end.

ASSET ALLOCATION OF THE FUND ON 08/31/2018

Asset type	Weight
Government bonds	77.67 %
Corporate bonds	9.37 %
T-bills	8.87 %
Current account	3.58 %
Market value of open derivative positions	0.40 %
Receivables	0.13 %
Liabilities	-0.01 %
total	100,00 %
Derivative products	17.13 %
Net corrected leverage	104.28 %

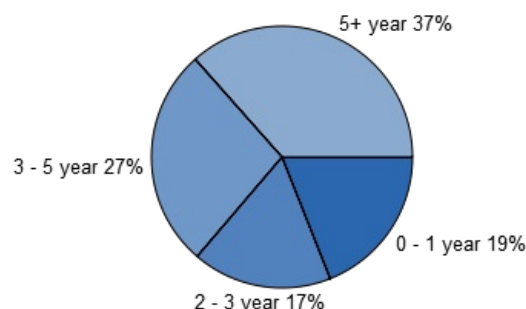
TOP 5 POSITIONS

PLGB 2023/01/25 2,5% (Lengyel Állam)
PLGB 2023/10/25 4% (Lengyel Állam)
PLGB 2028/04/25 2.75% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)
MFB 2019/06 1% HUF (Magyar Fejlesztési Bank Zrt.)

Assets with over 10% weight

PLGB 2023/01/25 2,5% (Lengyel Állam)
PLGB 2023/10/25 4% (Lengyel Állam)
PLGB 2028/04/25 2.75% (Lengyel Állam)
PLGB 2021/04/25 2% (Lengyel Állam)

Bonds by tenor:



RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields:	1.80 %
Annualized standard deviation of the benchmark's weekly yields:	1.75 %