

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:	10,677,726,180 HUF
Net Asset Value of institutional series:	100,684,629 PLN
Net Asset Value per unit:	1.253216 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	3.74 %	4.39 %
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, 10/01/2017 - 09/30/2018



— 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 bond yields have been quite stable for a while and it did not change in September either. Yields on almost every maturity closed the month unchanged, only the long end was a bit higher than a month ago. The trading range remained also unchanged, hardly reaching 10bps. The Polish government bonds were supported by the improving Turkish situation, because due to the rate hike of 625 bps the EM sentiment has improved. As for the economic data, we experienced some slowdown in Q3 2018: GDP growth may have decreased to 4,5% from the Q2 5,1% y/y. At the same time CPI was in line with the expectations. CPI decreased from the previous 2% to 1,8% y/y, which was driven by the changes in oil- and food prices. According to the forecasts the annual CPI is expected to decrease (to around 1,5%). Due to the moderation in inflation and the low core inflation, the policy rate will probably remain unchanged for the rest of the year. The most worrisome change happened with the PMI, because it dropped to 50,5 from the previous 51,4, thus reaching the lowest level since 2016. The drop was mainly caused by the fall in new incoming orders. But we have not seen slowdown in industrial production so far. The Polish government budget balance has remarkably improved after the 0,9 bn deficit seen in July, because according to the data it showed a 1,052 bn surplus in August. Thus, the monthly surplus amounted to 1,952 bn PLN in August. We think that the Polish government bonds are still expensive, so we hold Hungarian government bonds instead of the Polish short end.

ASSET ALLOCATION OF THE FUND ON 09/30/2018

Asset type	Weight
Government bonds	78.54 %
Corporate bonds	9.42 %
T-bills	8.88 %
Liabilities	-7.33 %
Current account	6.38 %
Receivables	3.73 %
Market value of open derivative positions total	0.39 %
Derivative products	20.81 %
Net corrected leverage	105.20 %

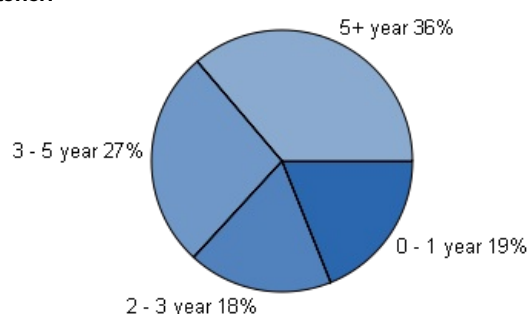
TOP 5 POSITIONS

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

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)

Bonds by tenor:



RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields:	1.74 %
Annualized standard deviation of the benchmark's weekly yields:	1.70 %