

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:	10,985,081,860 HUF
Net Asset Value of institutional series:	99,713,930 PLN
Net Asset Value per unit:	1.257443 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 %	4.40 %
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, 11/01/2017 - 10/31/2018



— 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

RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields:	1.66 %
Annualized standard deviation of the benchmark's weekly yields:	1.56 %

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

October have brought some changes on the Polish government bond market. Bond yields started to rise at the beginning of the month, but the short end and the belly of the yield curve ended October a bit lower than a month ago, while the long end closed the period almost unchanged. The trading range regarding the 5 year maturity widened to 25 basis points, whilst regarding the 10 year maturity it has doubled (to 20 basis points) compared to the previous month. The decrease in yields was driven by deterioration of the global market sentiment, the slowdown of the global economic activity and fears around the end of the business cycle, which caused a drop of 15 basis points in the Bund yields, what is one of the most important drivers of the Polish government bond yields. Moving on with economic data, in accordance with the expectations, headline inflation decreased further to 1,7% y/y in October. According to the market consensus, inflation will move toward 2% in the spring 2019. In accordance with other indicators, the purchasing manager index decreased further from 50,5 to 50,4. Industrial production surprised to the downside: its value in September was well below market expectations. It arrived at 2,8% y/y, which was the smallest gain since March. With regard to the government budget balance, the Central Statistical Office revised its estimate of 2017 general government deficit to 1,4% of GDP from the previous 1,7%. The budget balance in 2018 has improved further in September, because the surplus increased from 1,052 bn PLN to 3,182 bn PLN, which means, that the monthly surplus amounted to 2,130 bn PLN. The deficit of this year might reach the lowest levels locally, because the slowdown of the economy and the parliamentary elections in the spring 2019 may cause further government spending. This scenario became more probable, as the Law and Justice party has not done too well in the current municipal elections, which may cause a significant year-end spending. Because of the deterioration of the global sentiment, we increased our Polish interest rate exposure, whilst we hold Hungarian government bonds instead of the short end of the Polish yield curve, which proved to be good decisions so far.

ASSET ALLOCATION OF THE FUND ON 10/31/2018

Asset type	Weight
Government bonds	84.14 %
Corporate bonds	9.23 %
T-bills	5.87 %
Current account	0.38 %
Receivables	0.21 %
Market value of open derivative positions	0.19 %
Liabilities	-0.01 %
total	100,00 %
Derivative products	21.21 %
Net corrected leverage	105.27 %

TOP 5 POSITIONS

PLGB 2023/01/25 2,5% (Lengyel Állam)
PLGB 2028/04/25 2.75% (Lengyel Állam)
PLGB 2025/07 3,25% (Lengyel Állam)
PLGB 2020/04 1,5% (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 2028/04/25 2.75% (Lengyel Állam)
PLGB 2025/07 3,25% (Lengyel Állam)
PLGB 2020/04 1,5% (Lengyel Állam)

Bonds by tenor:

