

# 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:	11,099,894,417 HUF
Net Asset Value of institutional series:	99,201,650 PLN
Net Asset Value per unit:	1.267845 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

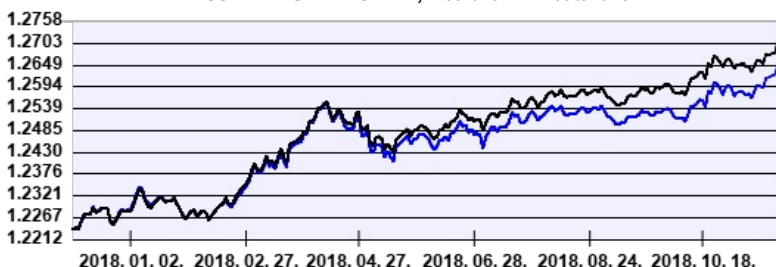
Aegon Towarzystwo Ubezpieczen na Zycie Spolka

## NET YIELD PERFORMANCE OF THE SERIES:

Interval	Yield of note	Benchmark yield
From start	3.83 %	4.45 %
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, 12/01/2017 - 11/30/2018



--- 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.

## RISK INDICATORS FOR THE LAST 12 MONTHS:

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

Annualized standard deviation of the benchmark's weekly yields: 1.59 %

## INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



## MARKET SUMMARY:

In November global developments played the most important role. Bond yields declined, oil prices plunged in a way, which was unseen over a decade. The price has fallen almost by 22% only in November, which was driven by the oversupply and the expectations regarding the lower demand. Consequently the Polish bond market experienced an eventful month. Although the trading range regarding the 3 and 5 year maturity tightened and the yields closed the period almost unchanged, the 10 year bond yields had quite an intensive month. The trading range regarding this maturity widened to 25 basis points, the yields decreased by 17 basis points by the end of the month, so the yield curve has flattened. Moving on with economic data, we experienced significant surprises. Poland's economy grew by 5,1% yoy in the third quarter, but headline inflation decreased to a great extent. In November it declined to 1,2% yoy from the previous 1,8%, which surprised the market, with a value well below expectations. The massive decline was driven mainly by changes in food-, and oil prices. Thus, it is likely to go down further next month, but according to the forecasts it will reaccelerate from January next year based on the possible rises in electricity prices among others. Core inflation fell to 0,7% yoy in line with expectations, and this confirmed that the bar will be high in Poland for a rate hike. After the inflation rate, the Purchasing Managers' Index surprised the market to the downside. In spite of the strong economic data, the PMI declined to 49,5. This is the first time since September 2014, when PMI went below the neutral 50 mark, which was due to the deterioration in new orders, production and employment. This shows that Polish economy started slowing - although the PMI, GDP and the high frequency data do not really show a unified picture. The industrial production beat expectations, surged by 7,4% yoy. Regarding the government budget balance, it improved further. The surplus increased from 3,182 bn PLN to 6,476 bn PLN in October, which means that the monthly surplus amounted to 3,286 bn PLN. This shows clearly, that the fiscal situation in Poland is favorable, thus the Ministry of Finance cancelled outright sale auction for this month and it is likely that there won't be more this year. They introduced switch auctions instead, which do not increase the cash balance of the government, but they can lengthen the maturity structure of government debt by this way. We hold short-dated Hungarian government bonds instead of the short end on the Polish yield curve: the hedging remains very favorable, moreover it can improve at the end of the year. At the same time the 2-3 year Hungarian bonds outperformed regional peers significantly, so we have to think about decreasing the Hungarian interest rate risk exposure.

## ASSET ALLOCATION OF THE FUND ON 11/30/2018

Asset type	Weight
Government bonds	81.32 %
Corporate bonds	9.09 %
T-bills	7.18 %
Liabilities	-4.76 %
Receivables	4.14 %
Current account	2.70 %
Market value of open derivative positions	0.33 %
total	100,00 %
Derivative products	21.02 %
Net corrected leverage	105.25 %

## TOP 5 POSITIONS

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

## Bonds by tenor:

