

# 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: | 11,982,336,814 HUF              |
| Net Asset Value of institutional series: | 108,868,453 PLN                 |
| Net Asset Value per unit:                | 1.307675 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 | 3.97 %        | 4.54 %          |
| 2018       | 4.17 %        | 4.67 %          |
| 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, 07/01/2018 - 06/30/2019



— 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:      | 1.73 %     |
| Annualized standard deviation of the benchmark's weekly yields: | 1.61 %     |
| WAM (Weighted Average Maturity):                                | 3.92 years |
| WAL (Weighted Average Life):                                    | 4.31 years |

## INVESTMENT HORIZON:

Suggested minimum investment period:

|                          |                          |                                     |                          |                          |                          |                          |
|--------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 months                 | 6 months                 | 1 year                              | 2 years                  | 3 years                  | 4 years                  | 5 years                  |

Risk and Reward Profile:

|                          |                          |                                     |                          |                          |                          |                          |
|--------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| very low                 | low                      | moderate                            | intermediate             | significant              | high                     | very high                |

## MARKET SUMMARY:

The Polish government bond yields continued to decline in June. Regarding the 3- and the 5 year maturity, the bond yields decreased by 9 and 11 basis points respectively, but regarding the 10 year maturity, bond yields closed the month almost 24 basis points lower. So the yield curve has flattened significantly. Moving on with economic data, the economic growth in the second quarter has been revised to 4,4% from the previous 4,3%, and regarding the third quarter the market expectation is 4,3%. The annual growth outlook has also been revised upward to 4,1%. The rise of inflation continued further in June, it arrived at 2,6% year over year from 2,4% in the previous month, thus breaching the central bank's inflation target first time for a very long time. The main driver was the increased food price growth. Further increase of inflation pressure might give a challenge to Governor Glapinski, who did not plan to have any interest rate increases in the foreseeable future. The Purchasing managers' index decreased to 48,4 in June from 48,8 in the previous month, and was below market expectations. New orders declined further and by the most in 2019 so far, mainly due to domestic demand, so this is the 8th consecutive month of contraction in the manufacturing sector. However this is not reflected in high frequency data. Industrial output growth slowed to 7,7% in May from 9,2% in April, still beating the market expectations. Regarding the government budget balance, the cumulative deficit in the first five months was 2158 million PLN, which means that the monthly deficit amounted to 2083 million PLN. As part of the earlier announced fiscal package, the government accepted the law regarding the tax allowance for people below the age of 26. The government plans to exempt all such employees, whose annual income is below roughly PLN 85 000, from paying personal income tax. The new law is going to come into force on 1 August, 2019. In June, we continued to decrease the short Hungarian exposure. During the month we held a slight overweight in Polish government bonds and could benefit from flattening of the yield curve.

## ASSET ALLOCATION OF THE FUND ON 06/30/2019

| Asset type                                | Weight   |
|---|----------|
| Government bonds                          | 80.18 %  |
| T-bills                                   | 6.34 %   |
| Current account                           | 7.40 %   |
| Deposit                                   | 5.82 %   |
| Receivables                               | 0.19 %   |
| Market value of open derivative positions | 0.12 %   |
| Liabilities                               | -0.04 %  |
| total                                     | 100.00 % |
| Derivative products                       | 14.36 %  |
| Net corrected leverage                    | 103.60 % |

## TOP 5 POSITIONS

| Asset                         | Type             | Counterparty / issuer | Maturity      |
|-------------------------------|------------------|-----------------------|---------------|
| PLGB 2027/07/25 2,5%          | interest-bearing | Lengyel Állam (PL)    | 2027. 07. 25. |
| PLGB 2025/07 3,25%            | interest-bearing | Lengyel Állam (PL)    | 2025. 07. 25. |
| PLGB 2022/09 5,75%            | interest-bearing | Lengyel Állam (PL)    | 2022. 09. 23. |
| PLGB 2019/07 3,25%            | interest-bearing | Lengyel Állam (PL)    | 2019. 07. 25. |
| HUF/PLN 19.08.02 Forward Sell | derivatív        | OTP Bank (HU)         | 2019. 08. 02. |

## Assets with over 10% weight

|                                      |
|--------------------------------------|
| PLGB 2027/07/25 2,5% (Lengyel Állam) |
| PLGB 2025/07 3,25% (Lengyel Állam)   |
| PLGB 2022/09 5,75% (Lengyel Állam)   |
| PLGB 2019/07 3,25% (Lengyel Állam)   |

## Bonds by tenor:

