

## MARKET SUMMARY

In July, stock markets continued their rally, and all but the Russell 2000 index reached new all-time highs. In our view, this is invariably due to the central bank's action of supplying an unlimited amount of liquidity. If we look at the valuations of equities, we see that they are relatively higher than they were when the Nasdaq bubble burst in 2000 and the housing bubble burst in 2007. If you compare it to the previous quarter, stocks have also continued to appreciate relative to that quarter. At the end of March, the BF P/E was 22, also considered extremely high, but that number had risen to 23 by the end of July. What is noticeable, however, is that investors are not so confident that at these levels stock market values are pegged at realistic prices. Amid a minor scare in the middle of the month, there were almost no buyers and the indices fell more than 1.5% in 1 day. As we have pointed out many times before, this investment environment is solely due to the central bank's supply of unlimited liquidity. The problem will arise if inflation, contrary to the central bank's expectations, becomes permanent rather than temporary. The financial authorities will also have no choice but to raise interest rates, which in turn will hit equity investments very hard. Europe's economy has continued to improve over the past month, and this is likely to have been helped by the fact that recovery aid set up during the epidemic has started to be distributed to the member countries. The preliminary reading is that activity in the Eurozone's services sector showed a third month of growth, strengthening to 58 from 55.2 in May. At the same time, manufacturing was also strong, with a reading of 63.1 reflecting 12 months of expansion. Of course, these macroeconomic numbers could quickly turn negative if the virus starts to spread again. In addition, the ECB raised its inflation target from less than 2 percent to above 2 percent, while accepting a temporary overshoot. The move, while not new, could help the industrial sectors.

China's economy is contracting again after rising in recent months. China's manufacturing PMI was 50.9 in June after 51 in May. Caixin's China manufacturing index fell to 51.3 in June from 52 in May. The Caixin China Services Sector Purchasing Managers' Index fell sharply in June to 50.3 from 55.1 the previous month, a 14-month low. China's GDP grew by 7.9% on a year-on-year basis in the second quarter, slightly below expectations. As we can see China is slowing down and the question is what impact this will have on the world economy.

Hungary continues on the path it started in mid-May. The economy continues to open up, but the problem is the rise of inflation. In June, the central bank raised the base rate by 30 basis points, and in July raised it again by another 30 basis points. So now the base rate is 1.20 percent. The inflation figures caused the forint to weaken against the euro from 352 to 362 during the month, but it strengthened back to 358 after the announcement of the rate hike. The fund posted a slight positive return in July. Our aim in the current investment environment is to maintain or slightly increase the fund's YTD return. We have not changed the fund's equity weighting, which is at 10%, which also reflects our cautious approach to the coming period. We changed the domestic equity holdings of the portfolio by selling the entire MOL exposure and bought a small amount of Richter instead. On the bond side, we bought a small amount of longer-dated emerging European bonds. We fully hedged the forint exposure of the fund, with the exception of the Romanian lej and the Russian ruble. If the forint weakened against the euro to the 365-370 level, we would open larger forint long positions at those levels. We think there is political risk in the forint right now, but the underlying fundamentals are positive.

## INVESTMENT POLICY OF THE FUND

The aim of the fund is to achieve a substantial yield for investors by taking high risks and making active use of derivative positions. The fund is decidedly high-risk, particularly due to the derivative positions it takes. The fund is willing to buy or sell all available investment instruments - domestic and foreign bonds, equities and other securities, indexes and currencies - provided it sees the opportunity to make substantial gains. In this respect the fund belongs in the category of opportunistic funds that pursue a multi-strategy investment

approach. Within the multi-strategy approach pursued by the fund, 'global macro', 'long-short equity', 'convertible bond arbitrage' and 'managed futures'-type transactions dominate. In terms of asset class, the fund's investments can be divided into three main groups: it takes on extra risk in the bond, currency and equity markets, and in these markets it is prepared to take up both long and short positions within the maximum limits permitted by law, which currently allow double leverage for funds of this type. In its investment decision-making mechanism the fund assesses fundamental, pricing, technical and behavioural/psychological factors. The fund management company, exercising all due care, based on its own judgement and decisions, and while observing the relevant legal provisions and the limitations stipulated in the Fund Documentation, determines the means of utilising the fund's resources, and the weights of the various investments within the portfolio, with a view to ensuring that the fund - in line with our expectations with regard to future risks and returns - achieves its objective in the long term. To ensure liquidity the fund aims to hold government securities issued by the State Debt Management Centre (ÁKK) on behalf of the State of Hungary.

## GENERAL INFORMATION

Fund Manager:	AEGON Hungary Fund Manager Ltd.
Custodian:	Unicredit Bank Hungary Zrt.
Main distributor:	AEGON Hungary Fund Manager Ltd.
Benchmark composition:	100% RMAX Index
ISIN code:	HU0000708318
Start:	11/17/2009
Currency:	PLN
Net Asset Value of the whole Fund:	42,512,877,803 HUF
Net Asset Value of PLN series:	77,328,401 PLN
Net Asset Value per unit:	2.815593 PLN

## DISTRIBUTORS

Aegon Towarzystwo Ubezpieczen na Zycie Spolka, ERSTE Group Bank AG Austria

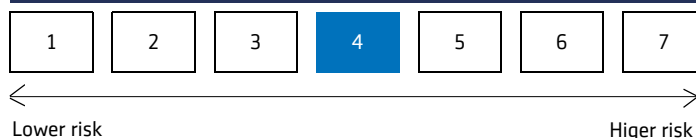
## NET YIELD PERFORMANCE OF THE SERIES

Interval	Yield of note	Benchmark yield
From start	4.28 %	2.02 %
2020	0.72 %	0.41 %
2019	8.56 %	0.23 %
2018	-2.13 %	0.31 %
2017	4.29 %	0.20 %
2016	4.03 %	1.22 %
2015	4.63 %	1.50 %
2014	7.32 %	3.31 %
2013	9.75 %	6.54 %
2012	13.54 %	7.01 %
2011	-2.88 %	5.00 %

## SUGGESTED MINIMUM INVESTMENT PERIOD

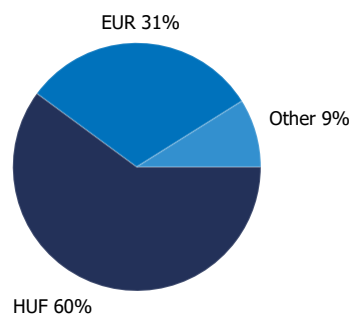
3 mths	6 mths	1 yr	2 yr	3 yr	4 yr	5 yr
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## RISK PROFILE



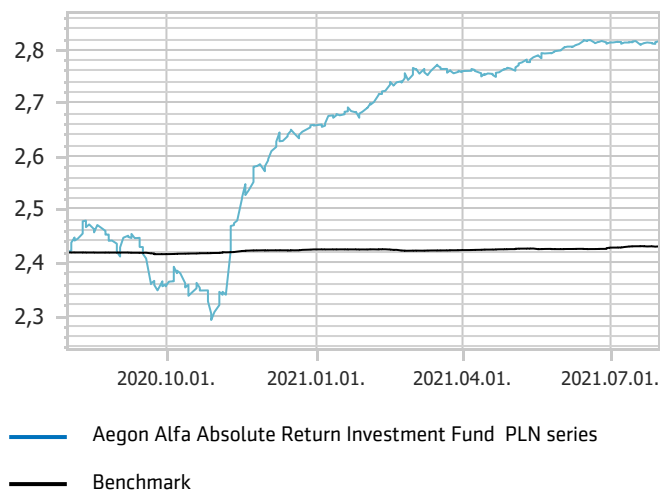
ASSET ALLOCATION OF THE FUND	
Asset	Weight
Government bonds	39.34 %
T-bills	20.35 %
Corporate bonds	9.27 %
Hungarian equities	9.25 %
Collective securities	8.39 %
International equities	1.75 %
Current account	13.81 %
Liabilities	-2.52 %
Receivables	0.97 %
Market value of open derivative positions	-0.60 %
<b>total</b>	<b>100,00 %</b>
Derivative products	46.47 %
Net corrected leverage	108.30 %
<b>Assets with over 10% weight</b>	

**Currency exposure:**



**NET PERFORMANCE OF THE SERIES**

net asset value per share, 08/01/2020 - 07/31/2021



**RISK INDICATORS FOR THE LAST 12 MONTHS**

Annualized standard deviation of the fund's weekly yields	8.07 %
Annualized standard deviation of the benchmark's weekly yields	0.23 %
WAM (Weighted Average Maturity)	2.07 years
WAL (Weighted Average Life)	2.35 years

**TOP 3 POSITIONS**

Asset	Type	Counterparty / issuer	Maturity
2026F	interest-bearing	Államadósság Kezelő Központ Zrt.	2026. 08. 26.
EUR/HUF 21.11.17 Forward Sell	derivatív	Raiffeisen Hun	2021. 11. 17.
Magyar Államkötvény 2023C	interest-bearing	Államadósság Kezelő Központ Zrt.	2023. 08. 23.

**Legal declaration**

The recent document qualifies as Portfolio Report according to the Kbtv. requirements. It contains the following elements based on the last net asset value of the reporting month: presentation of the assets of the fund regarding asset type of portfolio investment and regarding other categories detailed in its investment policy; list of assets (issuers) representing more than 10% of the portfolio; net asset value of the fund, including the cumulated and the calculated value per unit share. Investors are kindly advised, that past performance of the fund does not guarantee future performance. The returns presented are to be considered without applicable taxes, distribution fees and commissions, fees related to account keeping and other costs in relation with holding an investment fund unit. Information presented in the Portfolio Report are for information purposes only, not intended to serve as investment advice, or any other offer. Investors are kindly advised to carefully read the Key Investors Document and Prospectus of the fund, in order to understand the risks of investing into the fund, and to be able to make an informed investor decision. The referred documents are available at the distribution locations and on the official website of Aegon Alapkezelő Zrt. Aegon Magyarország Befektetési Alapkezelő Zrt. | 1085 Budapest, Kálvin tér 12-13. | +36 1 477 4814 | alapkezel@aeon.hu | www.aegonalapkezel.hu