# Aegon Emerging Market ESG Equity Investment Fund

Alapkezelő

**HUF** series

MONTHLY report - 2021 JULY (made on: 07/31/2021)

### **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 negative return in July but outperformed the benchmark index. The reason for the outperformance was that the fund was underweight in Chinese equities by 10%. Events in China put pressure on the whole emerging market in July. Last month, the Chinese Communist Party took an unexpected decision that upset the Chinese investment environment. The decision means that Chinese education companies can now only operate as non-profit companies. This decision will fundamentally change the investment environment in China, as it is not the potential growth of companies that determines share prices, but the directives of the state leadership. Against the Chinese underweight we overweighedted by countries with a higher proportion of cyclical sectors, such as Russia, Brazil, Mexico and the CEE region.

#### INVESTMENT POLICY OF THE FUND

The objective of the fund is to benefit on the economical growth of emerging countries. The fund accomplishes this goal basically via individual equity investments, however it may also hold collective investment instruments, if it is necessary for the efficient management of the portfolio. These can primarily be ETFs listed on the stock exchange, bank deposit, account money, repo transactions, and open-end public investment funds. In the course of selecting the equities the Fund dedicates special attention to the compliance of individual companies with ESG (environmental, social, governance) criteria, so in addition to analyzing the financial factors, portfolio managers also take into consideration environmental, social and governance factors during the investment decision making process. The goal of the Fund Manager is to establish a portfolio, in which the average of indicators measuring ESG compliance of the individual companies is more favorable than the aggregated indicator of the benchmark index, i.e. their operation is characterized by more advanced environmental, social and governance responsibility.

Environmental criteria include elements in the course of which the company comes into contact with the environment. Besides these, no additional special goals are set by the Fund.

These include for example the energy utilization, waste management, pollutant emission and/or the preservation of natural resources. Social criteria include all relations maintained by the company with its external partners, customers and internal employees. Corporate governance criteria are legal factors impacting reliable operation of a company.

## **GENERAL INFORMATION**

Fund Manager: AEGON Hungary Fund Manager Ltd.

Custodian: Unicredit Bank Hungary Zrt.

Main distributor: AEGON Hungary Fund Manager Ltd.

Benchmark composition: 100% MSCI EM (EMERGING

ISIN code: HU0000705272

Start: 05/11/2007

Currency: HUF

Net Asset Value of the whole Fund: 13,171,137,903 HUF

Net Asset Value of HUF series: 5,323,503,494 HUF

Net Asset Value per unit: 2.217434 HUF

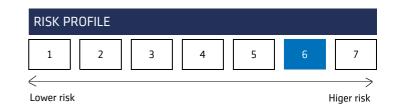
#### **DISTRIBUTORS**

Aegon Magyarország Befektetési Alapkezelő Zrt., CIB Bank Zrt., Commerzbank Zrt., CONCORDE Értékpapír Zrt., Equilor Befektetési Zrt, Erste Befektetési Zrt., ERSTE Group Bank AG Austria, OTP Bank Nyrt., Raiffeisen Bank Zrt., SPB Befektetési Zrt., Takarékbank Zrt, Unicredit Bank Hungary Zrt.

#### SUGGESTED MINIMUM INVESTMENT PERIOD

3 mths 6 mths 1 yr 2 yr 3 yr 4 yr 5 yr

NET YIELD PERFORMANCE OF THE SERIES				
Interval	Yield of note	Benchmark yield		
From start	5.76 %	5.18 %		
2020	19.21 %	20.53 %		
2019	17.07 %	20.43 %		
2018	-6.84 %	-7.93 %		
2017	17.45 %	19.66 %		
2016	4.46 %	5.03 %		
2015	-0.31 %	0.23 %		
2014	24.30 %	24.12 %		
2013	-1.18 %	-0.69 %		
2012	7.61 %	9.54 %		
2011	-6.33 %	-7.06 %		



# Aegon Emerging Market ESG Equity Investment Fund



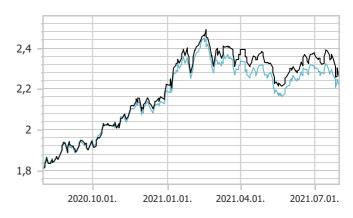
**HUF** series

MONTHLY report - 2021 JULY (made on: 07/31/2021)

ASSET ALLOCATION OF THE FUND	
Asset	Weight
Collective securities	66.66 %
International equities	26.05 %
Hungarian equities	3.44 %
Current account	3.96 %
Liabilities	-0.18 %
Receivables	0.07 %
total	100,00 %
Derivative products	3.97 %
Net corrected leverage	103.95 %
Assets with over 10% weight	

# NET PERFORMANCE OF THE SERIES

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



Aegon Emerging Market ESG Equity Investment Fund HUF series

Benchmark

RISK INDICATORS FOR THE LAST 12 MONTHS	
Annualized standard deviation of the fund's weekly yields	13.80 %
Annualized standard deviation of the benchmark's weekly yields	14.74 %
WAM (Weighted Average Maturity)	0.00 years
WAL (Weighted Average Life)	0.00 years

TOP 5 POSITIONS				
Туре	Counterparty / issuer	Maturity		
investment note	Lyxor MSCI Taiwan UCITS ETF			
investment note	Xtrackers ESG MSCI EM UCITS ETF			
investment note	Lyxor MSCI India UCITS ETF			
investment note	Lyxor MSCI Korea UCITS ETF			
investment note	Xtrackers MSCI Emerging Market			
	investment note investment note investment note investment note	investment note Lyxor MSCI Taiwan UCITS ETF investment note Xtrackers ESG MSCI EM UCITS ETF investment note Lyxor MSCI India UCITS ETF investment note Lyxor MSCI Korea UCITS ETF		

#### Legal declaration