Aegon Central European Equity Fund

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 achieved a positive return in July and outperformed its benchmark index. The fund remains overweight in the Austrian and Hungarian markets and, over the past month, we have built a slight overweight position in the Polish market. The fund's bias towards pro-cyclical sectors remains unchanged. The utilities sector remains underweight, while we are overweight retail. After a correction in the financial sector, we bought Polish banks and sold Czech bank shares. During the month, we have reduced our exposure to the Polish e-commerce company Allegro as we believe it has become overpriced. Overall, the fund is overweight the benchmark index due to long-term positions.

INVESTMENT POLICY OF THE FUND

The objective of the fund is to invest in Central and Eastern European equities. The fund is offered for investors who would like to benefit from the long term performance of regional listed companies. The average equity exposure of the fund is 95%. A primary consideration when compiling the fund's portfolio is the need to optimize the aggregate risk of the securities to be included in the fund. In the interest of reducing the risk, the utmost care is taken when selecting the securities to include in the fund's portfolio. The fund buys shares issued by corporations from countries in the Central European region (primarily Hungary, the Czech Republic, Poland, Austira and Romania, Slovenia and Croatia, and secondarily Slovenia Croatia, Russia and.Turkey), but it may also invest in the shares of companies in other emerging and developed countries, as well as in other collective investment securities.
Derivative transactions in equities and indices are allowed for the purpose of ensuring an efficient portfolio structure while shaping the fund's portfolio.
To ensure liquidity the fund aims to hold in its portfolio the government securities on behalf of the State of Hungary and bonds issued by the National Bank of Hungary,

GENERAL INFORMATION

Fund Manager:	AEGON Hungary Fund Manager Ltd.
Custodian:	Citibank Europe plc Magyarországi Fióktelepe
Main distributor:	AEGON Hungary Fund Manager Ltd.
Benchmark composition:	45% MSCI Emerging Markets Poland Net Total Return Local Index + 15% MSCI Austria Net Total Return + 15% MSCI Emerging Markets Czech Republic Net Total Return Local Index + 15% MSCI Emerging Markets Hungary Net Total Return Local Index + 10% MSCI Romania Net Total Return
ISIN code:	HU0000702501
Start:	03/16/1998
Currency:	HUF
Net Asset Value of the whole Fund:	20,518,198,369 HUF
Net Asset Value of HUF series:	4,751,057,372 HUF
Net Asset Value per unit:	6.699075 HUF

DISTRIBUTORS

Aegon Magyarország Befektetési Alapkezelő Zrt., Budapest Hitel-és Fejlesztési Bank 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.

NET YIELD PERFORMANCE OF THE SERIES

Interval	Yield of note	Benchmark yield
From start	8.48 %	2.13 %
2020	-5.95 %	-5.77 %
2019	10.90 %	12.03 %
2018	-8.23 %	-7.91 %
2017	26.04 %	25.00 %
2016	7.31 %	5.96 %
2015	-1.48 %	-2.82 %
2014	2.70 %	0.69 %
2013	-2.03 %	-4.66 %
2012	17.67 %	14.61 %
2011	-16.30 %	-18.90 %

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SUGGESTED MINIMUM INVESTMENT PERIOD

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

RISK PROFILE

1	2	3	4	5	6	7

Lower risk

Higer risk

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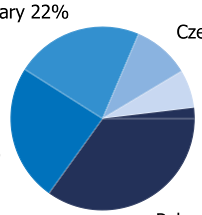
ASSET ALLOCATION OF THE FUND

Asset	Weight
International equities	70.53 %
Hungarian equities	20.66 %
Collective securities	1.15 %
Current account	8.59 %
Liabilities	-1.29 %
Receivables	0.38 %
total	**100,00 %**
Derivative products	18.11 %
Net corrected leverage	118.06 %

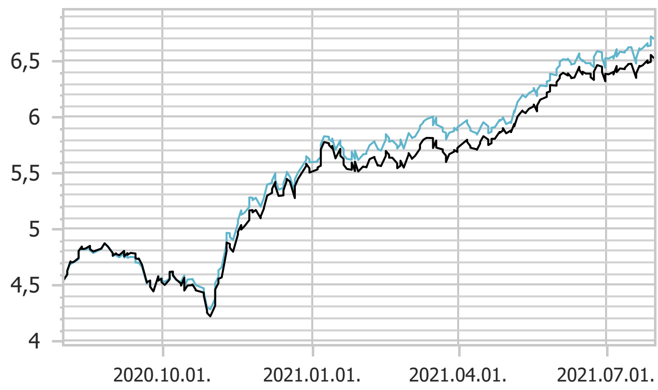
Assets with over 10% weight

Stocks by countries



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	17.67 %
Annualized standard deviation of the benchmark's weekly yields	17.85 %
WAM (Weighted Average Maturity)	0.00 years
WAL (Weighted Average Life)	0.00 years

TOP 5 POSITIONS

Asset	Type	Counterparty / issuer	Maturity
WIG20 INDEX FUT Sep21 Buy	derivatív	Erste Bef. Hun	2021. 09. 17.
OTP Bank törzsrészvény	share	Országos Takarékpénztár és Kereskedelmi Bank Nyrt.	
Erste Bank	share	ERSTE BANK AG	
OMV	share	OMV AV	
Richter Nyrt. Részv. Demat	share	Richter Gedeon Vegyészeti Gyár Nyrt. (Budapest)	

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