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Aegon Global Sustainable Equity Fund

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Market summary

Equity market performance in the first quarter of 2025 was a startling reversal of prior, well-established trends. In contrast to 2024, not only was the MSCI AC World Index down, falling 5.3%* on a total return basis in EUR, but the US was the worst performing major world market, down 8.2% on the same basis. In contrast China and Europe led the way, up 11.3% and 6.2% respectively.

The volte face was politically driven, with the Trump administration discussing wide ranging tariffs it subsequently unveiled at the beginning of April. The anticipation of such a move, with its potentially destabilising geopolitical and economic impact, was enough to pull global markets down. As the epicentre of the cause, and with the highest valuation start point, the US underperformed as its equity market scrambled to adjust to a changeable and unsettling administration, instead of the pro-business, pro-growth presidency that had been anticipated at the end of last year.

In addition, the regional change in fortunes seemed to be echoed at a stock level by increasing concerns over the returns to be made on the huge artificial intelligence investments by US big tech, which caused those shares to pull back, juxtaposed with the revelation that China's DeepSeek was much closer to challenging US AI dominance than almost anyone had appreciated. Moreover, stimulus measures and low valuations helped Chinese and European equity markets outperform.

Fund review

This was a very difficult quarter for the fund, which lost -12.3% and underperformed the index by 7.0%*.

Roughly one third of the underperformance can be attributed to style, primarily the fund's tilt towards midcap stocks, and it was the more volatile or growthy names among those that did poorly. About two thirds of the underperformance, however, can be attributed to stock picking, with a number of stocks we hold and like for the long-term experiencing undeniably negative developments during the quarter.

One area of stock specific underperformance came from our backing of Artificial Intelligence ('AI') related names, such as Marvell Technology, Chroma ATE, TSMC and Nvidia. Those stocks pulled back as the market questioned the timing and scale of the returns to be made from AI. Notwithstanding that question, we remain positive on the outlook for AI and view it as a genuinely new paradigm in technology. The fund has also fared very well out of these investments in recent years so the 1Q pullback should be put in that context.

Stock specific negatives in Trainline, Endava and Trustpilot are worthy of individual mention.

Trainline is a UK rail and coach ticketing platform with a very profitable domestic business and growth prospects as it expands into Europe. Concerns have emerged recently, mainly relating to the regulated nature of the industry in which Trainline operates. While we do not give most of the issues credence, we do have to acknowledge that this stock is at the mercy of regulation within its industry to a greater extent than anticipated.

Endava is a highly innovative IT consultancy which helps clients develop and employ new technology. The industry is cyclical and had been experiencing one of its periodic downturns in 2024. This downturn was exacerbated by clients being interested in adopting AI but new AI products not being ready for corporate deployment. This situation can only last so long but results in February disappointed as the much-anticipated recovery was once again delayed.

Trustpilot is an independent online review platform which enables the public to share feedback and companies to acquire and analyse customers. Trustpilot's results in March showed good progress with sales and EBITDA up 18% and 55% respectively, beating consensus. The shares sold off, however, on a view that capitalisation of software costs was overly flattering. We do not share this view.

Given the nature of markets in the quarter, it's no surprise that our better performers were defensive stocks: real estate investment trust American Tower, insurer Zurich Insurance, utility Terna, and testing company UL Solutions.

A relatively active period for the fund with new purchases in Atlas Copco and Nasdaq and full sales of Avantor, Docebo, Halma, Hubbell and Tetra Tech.

Atlas Copco makes compressors deployed across a broad range of industrial markets. Its products are characterised by being a low cost but critical item for clients, which leads to its high and stable margins and rock-solid free cash flow and balance sheet. Atlas gives us broad industrial exposure including to China and Europe.

Nasdaq operates not only the well-known financial exchange but also a significant data and analytics business, which is driving improving growth, profits and stability.

We sold both Avantor and Tetra Tech due to risks of US government cuts. Avantor is a life sciences company that provides equipment for drug research. Almost a fifth of its sales are to academic and government researchers. Tetra Tech is an environmental consulting firm with around half its sales to US federal and state governments.

We also sold Canadian online learning software company Docebo. The company is experiencing good growth and has moved nicely into profitability but given its niche market we no longer felt it was one of our most compelling tech stock ideas.

The sale of British quality industrial Halma reflects an example of an investment thesis successfully played out. Solid execution by the company through 2024 saw the valuation re-rate to a level that we felt was reasonable, so in the absence of further clear catalysts, we closed out the position at a sizable profit.

Finally, we sold our position in American utility and electrical component maker Hubbell. Hubbell is a play on the huge amount of investment needed into the electricity grid, a theme we remain very positive on. However, after a few quarters of ups and downs related to inventories in the supply chain we decided some of our other holdings are cleaner plays on the theme.

"Given the nature of markets in the quarter, it's no surprise that our better performers were defensive stocks"

Market outlook

The huge increase in market volatility has, of course, brought challenges but, as we look ahead to the rest of 2025, that uncertainty will reveal opportunities as well. Many US stocks have been trading on very high valuations. The current reset will bring those down while, for the winners, their longer-term prospects will be undimmed. Increasingly the market is looking favourably on long forgotten regions such as Europe and China and there too, opportunities will be revealed. Our investment philosophy is to invest in long term sustainability megatrends. We remain convinced about our approach and excited to use times of raised volatility to capitalise on sustainable beneficiaries that can thrive for a long time to come.

*Source: Lipper as at 31 March 2025. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Performance for the Aegon Global Sustainable Equity Fund is for the B Acc EUR share class. The performance benchmark for the Aegon Global Sustainable Equity Fund is the MSCI All Countries World Index (EUR). Note: index benchmarks have close of day prices.

Investment policy and risks

Below we summarise the investment policy and key risks. For more information, please refer to the Key Investor Information Document (KIID) and the Fund Supplement to the Prospectus at **www.aegonam.com/documents**.

Investment policy

In seeking to achieve its investment objective the Aegon Global Sustainable Equity Fund intends to invest in a diversified portfolio of global equity securities which meet the Fund's predefined sustainable criteria. Further details of the sustainable criteria are set out in the Supplement. Within its sustainable criteria and the limits set out above, the Fund is not restricted by country or market sector. It may also hold a limited range of other investments and it is not constrained by any benchmark or index. The Fund may use derivatives (financial contracts whose value is linked to an underlying asset) to manage risks and costs. The Fund is actively managed.

Risks – the main risks are:

Credit: The Fund's value may fall if shares, especially those of smaller companies, become more difficult to trade or value due to market conditions, or lack of supply and demand.

Other markets: The Fund may invest in countries which have less developed political, economic and legal systems and which provide fewer investor protections. Difficulties in buying, selling, safekeeping or valuing investments in such countries may reduce the value of the Fund.

For more details on the risks for this fund please see the KIID or Prospectus.

Calendar year performance (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Aegon Global Sustainable Equity Fund	17.05	7.92	-34.03	17.06	48.97	45.78	-9.04	16.29	-	-
MSCI World AC Index (EUR)	25.90	18.65	-12.58	28.08	7.18	29.64	-4.34	9.47	-	-

Source: Lipper as at 31 December 2024. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Performance for the Aegon Global Sustainable Equity Fund is for the B Acc EUR share class, the Fund launched 21 April 2016. The performance benchmark for the Aegon Global Sustainable Equity Fund is the MSCI All Countries World Index (EUR). Note: index benchmarks have close of day prices.

Important information

For Professional Clients only and not to be distributed to or relied upon by retail clients.

This is a marketing communication. Please refer to the Prospectus of the UCITS and to the KIID before making any final investment decisions. The relevant documents can be found at www.aegonam.com. The principal risk of this product is the loss of capital.

Past performance does not predict future returns. Outcomes, including the payment of income, are not guaranteed.

Opinions and/or example trades/securities represent our understanding of markets both current and historical and are used to promote Aegon Asset Management's investment management capabilities: they are not investment recommendations, research or advice. Sources used are deemed reliable by Aegon Asset Management at the time of writing. Please note that this marketing is not prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing by Aegon Asset Management or its employees ahead of its publication.

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Fund Charges are taken from income but will be taken from capital where income is insufficient to cover charges.

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Aegon Asset Management Investment Company (Ireland) Plc (AAMICI) is an umbrella type open-ended investment company which is authorised and regulated by the Central Bank of Ireland. Aegon Investment Management B.V (Aegon AM NL) is the appointed management company. Aegon AM NL is registered with and supervised by the Dutch Authority for Financial Markets (AFM).

Aegon AM UK markets AAMICI in the UK and otherwise outside of the EEA. Aegon Asset Management UK plc (Aegon AM UK) is authorised and regulated by the Financial Conduct Authority.

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