aegon asset management

For professional investors only. This is a marketing communication.

Aegon ABS Opportunity Fund

Monthly June 2025

Market review

General financial markets

Markets moved on positive sentiment and resilience in macroeconomic fundamentals. Early June, the ECB cut rates by 25 bps with the deposit rate reaching 2.00%. It marked the eight rate cut, however, a hawkish tone from the ECB suggests that there will be no change at the July meeting given the mixed bag of eurozone data. Eurozone services PMIs improved, manufacturing PMIs held just below 50, and the composite PMI stayed in positive territory. Inflation fell to 1.9%, below the ECB's 2% target, GDP growth edged up from 1.2% to 1.5%, but lagging the US. Overall, the ECB noted that due to global trade war tensions, possible inflation is weighing on growth expectations. The market is already starting to price this in with a terminal rate of 1.50%, implying two more cuts in the remaining four meetings.

In the US, economic resilience continued. Labor markets remained strong, and sentiment improved. Although geopolitical tensions and trade policy uncertainty kept investors cautious, the S&P 500 rose 5.1% and the Nasdaq 100 gained 6.3%, while US Treasury yields declined amid safe-haven demand.

Markets are focused on US trade talks, with potential negative developments expected in July, though these may be seen as part of ongoing negotiations.

ABS Market

The European ABS market moved in line with the strength seen in broader credit markets. Despite the ongoing geopolitical tensions, crossover spreads (XO) moved close to the tightest level seen this year. Sentiment in European ABS markets has changed significantly to a more bullish stance as evidenced by the compression in the capital structure. While it is certainly driven by the strong fundamentals underlying ABS, participation in European ABS has increased with oversubscription levels being substantial. In CLO markets on the other hand, spreads have been mostly stable due to the more balanced supply-demand technical. With spreads tighter over the last few years, reset and refinance activity increased, adding to the supply. Meanwhile, shorter profiles with higher optionality, i.e. those that are likely to reset or refinance due to their higher coupon margins, are trading tighter compared to the longer duration profiles.

Overall we have seen 12 ABS deals and 24 CLOs pricing in June, of which 11 reset/refinancings. With the delay of issuance in April, the catch-up factor for postponed issuance, possibility to an increase in trade tensions and the approaching summer months, arrangers are rushing to clear the pipeline sooner rather than later.

Not surprisingly, the corresponding issuance volume was also remarkably high, with €8bn of ABS and €5.1bn in CLO issuance bringing the year-to-date issuance to €76bn or 98% of the level observed over the same period in 2024. In terms of sector allocation, issuance volumes are led by CLOs (40%), RMBS (25%) and Auto ABS (18%).

Net return June 2025

I Acc (EUR)	I Acc (GBP)
0.77	0.93

Gross return June 2025

I Acc (EUR)	I Acc (GBP)
0.81	0.98

Net returns (%)

	YTD	1 year	3 year	5 year
I Acc (EUR)	3.36	8.06	10.30	n.a.
I Acc (GBP)[1]	4.32	9.74	11.96	n.a.

[1] Share class hedges the currency exposure in the pool to GBP

Gross returns (%)

	YTD	1 year	3 year	5 year
I Acc (EUR)	3.65	8.66	10.87	n.a.
I Acc (GBP)[1]	4.63	10.38	12.58	n.a.

[1] Share class hedges the currency exposure in the pool to GBP

Characteristics	EUR	GBP
Yield to maturity[1]	6.5	8.3
Current Yield[1]	6.4	8.9
Spread[1]	441	465
Spread Duration	4.16	
Average Life	4.58	
Modified Duration	0.141	

[1] Estimated spread and yield to maturity as per 30 June 2025 using most conservative assumptions

Outlook

Given the somewhat risk-on tone, European ABS showed strong performance in June. Spreads tightened and the high carry also contributed positively. CLOs outperformed other ABS sectors, and the credit curves flattened with mezzanine bonds outperforming seniors.

There has been a slight bit of dispersion in parts of the European ABS market, but spreads remain broadly around the tights of the past four years. On the technical side, while we have seen an increase in supply from primary markets, there is also (re)new(ed) interest from investors. There is plenty of cash to put to work and early redemptions and amortisations of ABS structures provide additional technical support. Net supply has been positive, and we expect the trend to continue. With valuations tighter (although the relative value versus other parts of the fixed income market is clearly visible), there is limited upside for spreads and risks are to the downside. Therefore, carry will be the most important driver of returns and is meanwhile providing downside protection in case of (interest rate) volatility flaring up.

As we move further into 2025, the macro backdrop is uncertain despite the recent strong market performance . Amidst developments in the Middle East, geopolitical uncertainty, trade wars, diverging central bank policies and a shift in (monetary) policy in the euro area, volatility in financial markets has increased. Although European ABS tends to be more insulated from broader volatility, it is not immune to negative risk sentiment.

From a fundamental perspective, performance has held up quite well and deterioration is only seen in certain parts of the market where loans could not refinance due to higher rates. With borrowing costs moving towards a more neutral rate in Europe, credit affordability should improve. Unemployment rates will therefore be the main driver of fundamental performance. Even though weaker consumers and companies will continue to face pressures, we expect defaults to remain below their long-term averages. There are certainly idiosyncratic factors that will drive dispersion within asset classes and selection will be important. Potential losses, however, can be absorbed by structural features such as excess spread and reserve funds.

As risks seem to be to the downside, predictable current, attractive, and stable income is certainly welcome, which is something that European ABS can provide. Altogether, income (coupon) tends to drive longer-term total returns more than spread movements. The current macro backdrop has also set the stage for the European ABS market to deliver attractive total returns from this point forward. We believe that ABS is set to outperform in this environment. The relatively high carry value of ABS (partially due to the inversion of the interest rate curve) coupled with limited concerns from a fundamental perspective make European ABS still an attractive asset class for the medium term.

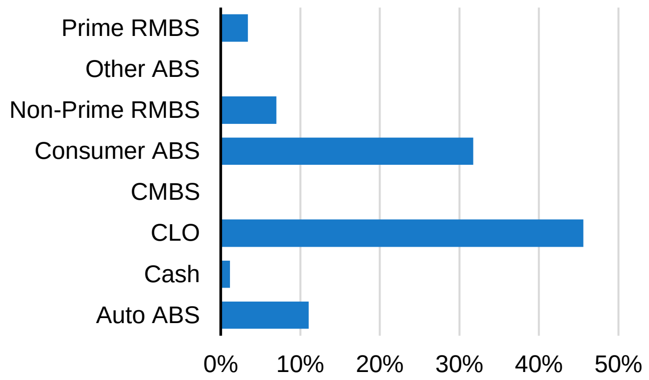
Strategy and positioning

With the primary market active, some attractive secondary positions, and inflow in the fund, we have added 8 new positions across BB and BBB securities. The spread of the portfolio decreased to approximately 441 (over Euribor) and 465 (over SONIA) bringing the current yield to 6.4% and 8.9% in EUR and GBP respectively.

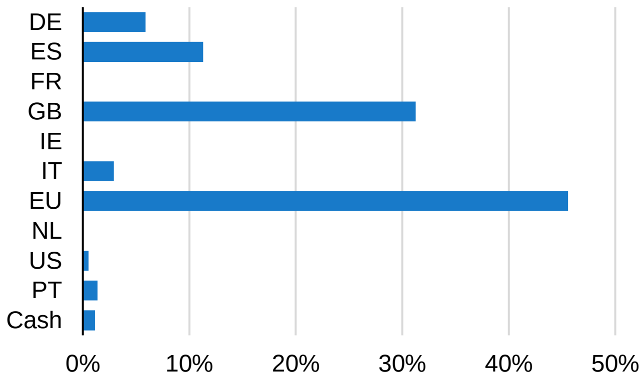
Fund positioning

Please find the positioning of the fund below.

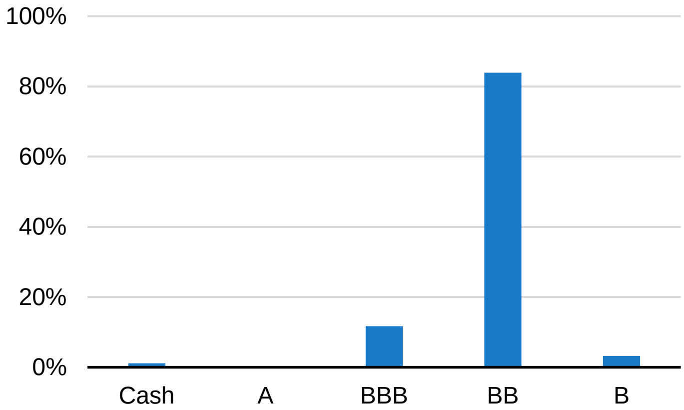
Sector Breakdown



Geographical Breakdown



Rating Breakdown



Source: Aegon Asset Management

Calendar year performance

	2024	2023	2022	2021	2020	2019	2018	2017
Fund Gross return (%)	13.49	13.68	-3.52	6.08	-	-	-	-
Fund Net return (%)	12.92	13.11	-4.00	5.55	-	-	-	-

Source: Aegon Asset Management as at 31 December 2024. Fund launch date 9 September 2020, launch date for I EUR Acc shareclass is 6 October 2020.

Important information

Investment Policy

This The Fund aims to achieve its objective by investing substantially in asset-backed securities (including CLO's for max 50%). The Fund will have a focus on asset backed securities with a credit rating which is deemed to be 'non-investment grade'. Non-investment grade is defined as meeting one or more of the following rating criteria: Ba1 or lower by Moody's Investor Services (Moody's); BB+ or lower by Standard & Poor's Rating Services (S&P) or Fitch Ratings Inc (Fitch).

The Fund may hold bonds and notes with various types of collateral, but some examples include residential mortgages, commercial mortgages, consumer loans, car loans, credit card loans, student loans and corporate loans. The Fund will invest the majority of its assets in the portfolio in bonds or notes issued by issuers located within Europe but may also invest in bonds or notes issues by issuers located in other OECD countries. The Fund will invest in assets denominated both in Euro and in other currencies. Where non-Euro denominated assets are held, the Investment Manager will seek to hedge the associated currency risk back to Euro.

Risks

The main risks are:

Objective Risk: There can be no assurance that the Fund will achieve its investment objective. An investor should consider his personal tolerance for an investment based upon fixed income securities before investing in the Fund. The investments of the Fund will be subject to market fluctuations, currency fluctuations, custody and settlement risks, registration risk and foreign exposure risk.

Liquidity Risk: The secondary market for sub-investment grade bonds is typically much less liquid than the market for investment grade bonds, frequently with significantly more volatile prices and larger spreads between bid and asked price in trading.

Asset Backed Securities Risk: The value of an asset-backed security can be affected by various factors, including: (i) changes in the market's perception of the pool of underlying assets (or collateral) backing the security; (ii) economic and political factors such as interest rates and levels of unemployment and taxation, which can have an impact on repayments and default rates on the collateral; (iii) changes in the market’s view of the creditworthiness of the issuer; and (iv) the speed at which loans which form the collateral are repaid.

Asset-backed securities that are not backed by mortgages present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may not have the benefit of the same security interest in the underlying collateral. Credit card receivables, for example, are generally unsecured. Therefore, there is a possibility that recoveries on defaulted collateral may not, in some cases, be available to support payments on these securities. The investment characteristics of asset-backed securities differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, very often monthly or quarterly, and that principal may be prepaid at any time because the underlying loans may often be prepaid at any time. Investments in subordinated asset-backed securities involve greater credit risk of default than the more senior class(es) of the issue or series.

For more details on the risks for this fund please see the KIID or Prospectus at www.aegonam.com/documents.

Disclaimer

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

This is a marketing communication. Please refer to the following legal documents of the AIF before making any final investment decisions. For UK investors: This product is based overseas (Ireland) and is not subject to UK sustainable investment labelling and disclosure requirements. Please read the Key Investor Information, Prospectus, Supplementary Information Document and Application Form carefully. Consider getting financial advice if you need help to understand the investment and both the risks and opportunities involved. This product is authorised overseas but not in the United Kingdom and the Financial Ombudsman Service is unlikely to be able to consider complaints related to the product, its operator or depositary. Any claims for losses relating to the operator or depositary of this product are unlikely to be covered under the Financial Services Compensation Scheme. For EU investors: please refer to the Prospectus and the PRIIPs KID. The relevant documents can be found at 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.

All data is sourced to Aegon Asset Management unless otherwise stated. The document is accurate at the time of writing but is subject to change without notice. Data attributed to a third party ("3rd Party Data") is proprietary to that third party and/or other suppliers (the "Data Owner") and is used by Aegon Investment Management B.V. under license. 3rd Party Data: (i) May not be copied or distributed; and (ii) is not warranted to be accurate, complete or timely. None of the Data Owner, Aegon Investment Management B.V. or any other person connected to, or from whom Aegon Investment Management B.V. sources, 3rd Party Data is liable for any losses or liabilities arising from use of 3rd Party Data.

AAM QIF plc is an umbrella type open-ended investment company with variable capital, registered in the Republic of Ireland. AAM QIF plc is regulated by the Central Bank of Ireland. Aegon Investment Management B.V. is the Alternative Investment Fund Manager and is registered with the Netherlands Authority for the Financial Markets.

Aegon Asset Management UK plc is authorized and regulated by the Financial Conduct Authority. Aegon Investment Management B.V. is registered with the Netherlands Authority for the Financial Markets as a licensed fund management company. On the basis of its fund management license Aegon Investment Management B.V. is also authorized to provide individual portfolio management and advisory services.

Please note that not all sub-funds and share classes may be available in each jurisdiction. This content is marketing and does not constitute an offer or solicitation to buy any fund(s) mentioned. No promotion or offer is intended other than where the fund(s) is/are authorized for distribution.

AdTrax: 4953283.84. | Exp. Date: 31 July 2026