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Aegon ABS Opportunity Fund

Monthly April 2025

Market review

General financial markets

Market volatility intensified in April as the highly anticipated Liberation Day announcements and tariff plans laid out by the Trump administration rattled financial markets. Except for Canada and Mexico, the White House's new 'reciprocal tariff' strategy announced on April 2 enacted universal tariffs across the globe ranging from 10% to north of 100% with China squarely in the President's crosshairs. The tariff developments prompted weakness and an aggressive move lower across virtually all risk assets as market participants quickly began to weigh the long-term implications of economic growth and rising recession fears with higher inflation and concerns about other potential fallouts of a global trade war.

Fast forward a week to April 9 and President Trump announced a 90-day pause on the tariff implementation for nearly all countries apart from China. Post this announcement, risk assets rallied across the globe while market strategists began walking back their calls for an imminent recession. First quarter earnings were in focus during the month and against a backdrop of heightened uncertainty due to tariffs, many companies reported softer forward guidance and, in some instances, pulled guidance all together.

The market outlook has shifted recently as the Trump tariff announcements in April ushered in a new trade war. If the tariffs are sustained, the knock-on effects could be far-reaching and result in higher inflation, revenue shocks to tariff-exposed companies and an increased probability of a recession. However, the situation remains fluid as the tariff negotiations are ever evolving. Nonetheless, the recent tariff developments have created heightened economic uncertainty that is unlikely to dissipate over the next few quarters.

In fixed income markets, 10-year US Treasury yields were quite volatile and ended the month about 12bps higher, while European yields decreased, with the German yield decreasing around 15bps across the curve.

ABS Market

European ABS spreads widened after "Liberation Day". As spreads widened, the primary market came to a standstill and flows, and therefore transparency, were solely observed in the secondary market. Demand however did not fade and after some initial opportunistic buyers, spreads remained stable and tightened towards the last two weeks of April. After this stability, the primary market, particularly for non-CLO sectors, returned and this supply was welcomed by investors as demand was buoyant. Several deals priced close, but still wider, to levels seen at the end of March and compression from initial price guidance was significant. The fading of stringent tariffs and the lack of reciprocal tariffs calmed the markets and the outlook for Europe became somewhat better. On the demand side, as has been the case for most of the year, non-seniors were in higher demand versus seniors. Diversity of collateral and countries was unsurprisingly somewhat less with 17 new deals pricing across CLOs and ABS.

Issuance in April 2025 was lower compared to the same period last year and amounted to €8.0 billion, 50% lower compared to last year bringing year-to-date issuance to €46.4bn (similar compared to last year). The bulk of issuance came from CLOs (41%), followed by RMBS (27%). Within RMBS, issuance from the UK makes up 70%.

Net return April 2025

I (EUR)	I (GBP)
-0.31	-0.15

Gross return April 2025

I (EUR)	I (GBP)
-0.27	-0.10

Net returns (%)

	YTD	1 year	3 year	5 year
I-Share (EUR)	0.86	7.94	7.79	n.a.
I-Share (GBP) ¹	1.47	9.48	9.40	n.a.

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

Gross returns (%)

	YTD	1 year	3 year	5 year
I-Share (EUR)	1.05	8.52	8.35	n.a.
I-Share (GBP) ¹	1.67	10.10	10.00	n.a.

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

Characteristics	EUR	GBP
Yield to maturity ¹	6.8	8.6
Current Yield ¹	7.0	9.5
Spread ¹	480	504
Spread Duration	4.05	
Modified Duration	0.171	

¹ Estimated spread and yield to maturity as per 30 April 2025 using most conservative assumptions

Outlook

Given the volatility, European ABS showed negative performance in April. Carry has not been sufficient to overcome the spread widening observed over the month but still contributed. CLOs underperformed however, as spreads are wider compared to the end of March. Due to the widening in spreads in a relative short period, seniors outperformed.

As we move further into 2025, although there have been some positive developments as of late, the macro backdrop is uncertain. 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.

There has been a slight bit of dispersion in parts of the European ABS market, but spreads remain broadly around the tightness 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 amortizations of ABS structures provide additional technical support. Net supply has been positive, and we expect the trend to remain in place. 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.

From a fundamental perspective, the pickup in arrears is much lower than most would have predicted given the cost-of-living crisis many consumers have faced. Performance, however, 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.

The timing, number and depth of rate cuts and how quickly they are priced in by markets, are not clear-cut. With this uncertainty, 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.

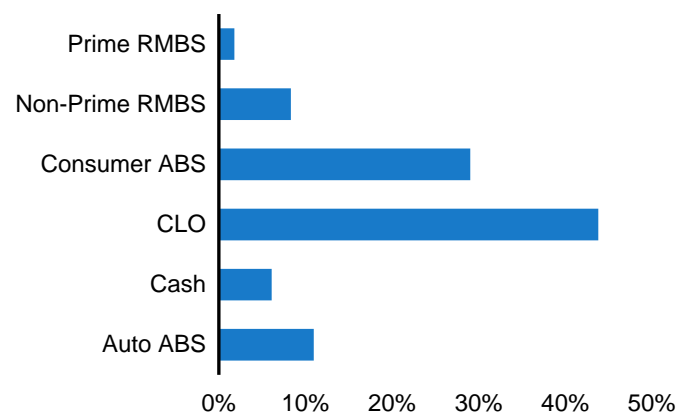
Strategy and positioning

With the widening in the sub-investment grade part, the primary market came to a standstill. With some attractive opportunities in the secondary market, we added a few positions, two CLO positions and one Consumer ABS. The spread of the portfolio increased to approximately 480 (over Euribor) and 504 (over SONIA) bringing the current yield to 7.0% and 9.5% in EUR and GBP respectively.

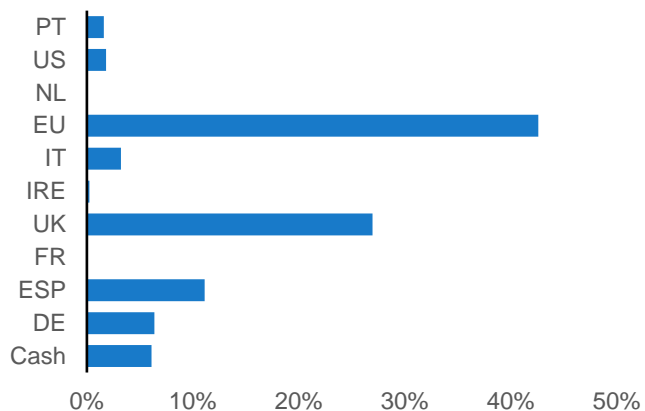
Fund positioning

Please find the positioning of the fund below.

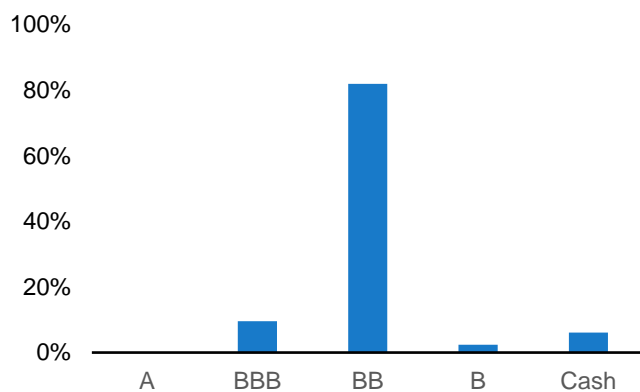
Sector Breakdown



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.

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AdTrax: 4953283.79. | Exp. Date: 31 May 2026