

Aegon Ethical Equity Fund

(formerly Kames Ethical Equity Fund*)

Aegon Asset Management UK ICVC with a year end of 31 July

Overall Value Assessment

The Board of Directors believe that the Fund provides good overall value for its investors.

1. Quality of Service

The Board of Directors believe that, based on the areas assessed, the Fund offers a good quality of service.

There have been instances when the release of the daily prices has been delayed. This has typically been during periods of extra market volatility, rather than due to systemic issues. During these periods, more so during Covid-19, the firm and our providers have implemented procedures that result in extra pricing validation checks on the assets held by that Fund that day. While this causes the publication of the daily price to be delayed on those impacted days, it ensures that the Fund is priced accurately.

2. Performance

The investment objective is to provide a combination of income and capital growth over any seven-year period.

We compare the Fund's performance with the performance of other funds within the Investment Association All UK Companies Sector. Comparison of the Fund against this sector will give investors an indication of how the Fund is performing compared with funds investing in a similar but not identical investment universe comprising ethical and non-ethically screened funds, demonstrating the value of the Fund's ethical screen against non-ethically screened funds.

The comparison should be performed over at least a seven-year period to provide the most useful long-term comparison.

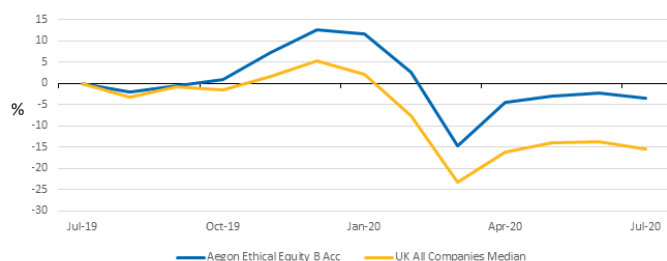
The Fund has achieved its investment objective over the seven-year period. The Fund has also outperformed its peer group sector median over the one-year period to 31 July 2020. The year was marked by extreme volatility, particularly in the second half of the period when the rapid onset of Covid-19 led to an incredibly sharp sell-off in markets as economies were forced into lockdown. The subsequent efforts of both governments and central banks to support economies settled investor nerves to an extent, allowing markets to rally significantly up to the period-end.

Given the magnitude of the sharp sell-off seen in almost all areas of the market, the Fund posted a negative absolute return over the year. However, it managed to avoid many of the worst-affected areas and, as a result, strongly outperformed the peer group median. Some of the areas the Fund managed to avoid were due to the ethical screen; having no positions in either oil & gas producers or banks, for example, added value. Disciplined stock selection was the main driver of the relative outperformance, although sector allocation also added value. The key positive contributors included stocks that experienced less operational disruption from the coronavirus and, latterly, those that were beneficiaries of lockdowns easing.

7 year performance chart



1 year performance chart



The Board of Directors believe that over the longer term (seven-years to 31 July 2020) the Fund has met its objective.

3. AFM Costs

There are no entry costs, exit costs or performance fees associated with this Fund. Below are the costs incurred by an investor in each share class of the Fund:

	B share class (%)
Annual Management Charge	0.75
Additional Charges	0.03
Ongoing Charges	0.78
Transaction Costs	0.23
Total Cost of Investment	1.01

The Board of Directors believe that the charges are justified in the context of the overall value delivered to the investors in the Fund.

4. Economies of Scale

The Board of Directors have assessed economies of scale ('EoS') for the Fund considering various factors, in line with our value assessment framework. The Board of Directors believe that there are two key areas where EoS can be delivered to investors, namely a) global organisational structure and b) efficiencies due to increasing Fund size.

Aegon Asset Management is a global organisation whereby pooled research, pooled resources and globally negotiated vendor contracts are utilised. In the absence of being part of a global structure, the Fund would be likely to have higher costs.

The Board of Directors believe that, with more assets in the Fund, EoS can be passed on to Fund investors. Certain legal, regulatory and administrative costs are fixed (i.e. not directly related to fund size) and are directly charged to the Fund. Therefore, with increasing Fund size, the relative impact of these costs is reduced.

Due to the current size of the Fund, we do not believe there are sufficient EoS to reduce the already competitive Annual Management Charge ('AMC'). However, as part of the annual value assessment, we will continually review the position and pass on EoS benefits to investors where possible.

5. Comparable Market Rates

The Board of Directors compared the Fund's Annual Management Charge ('AMC') and Ongoing Charges Figure ('OCF'), at a share class level, against other relevant funds within the same Investment Association ('IA') peer group.

While the AMC is in line with the IA sector median, the OCF is lower than the IA sector median due to the Board of Directors' decision to absorb significant costs into its own cost base, namely the Transfer Agent and Fund Accounting costs, which is more favourable to investors than normal market practice. Investors can see this when they compare the Fund with similar funds managed by other providers.

The Board of Directors believe that the Fund's costs are fair, reasonable and very competitive.

6. Comparable Services

The Board of Directors believe that we are charging a consistent price for this strategy when compared to our offering in different markets.

7. Classes of units

The Board of Directors believe the share classes available for this Fund and the associated charges are fair and appropriate.

An exercise was carried out in early 2020 to transfer investors from higher AMC charging classes A and D into class B. Those investors who were originally in classes A and D subsequently benefited from lower fees in class B.

Contact us

If you have any questions about the information contained in this document you can contact us at our Investor Helpdesk on 0800 358 3009.

*Fund name changed from the Kames Ethical Equity Fund to the Aegon Ethical Equity Fund on 7 September 2020.

Source: Lipper, as at 31 July 2020, B Acc (GBP) share class, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges.

Performance comparator: Investment Association All UK Companies Sector. Investors are invited to compare the Fund's performance against the performance of other funds within the Investment Association All UK Companies Sector. Comparison of the Fund against this Sector will give investors an indication of how the Fund is performing compared with Funds investing in a similar but not identical investment universe and comprising ethical and non-ethically screened funds, demonstrating the value of the Fund's ethical screen against non-ethically screened funds. This comparison should be performed over at least a seven-year period to provide the most useful long term comparison.

All data is sourced to Aegon Asset Management UK plc unless otherwise stated. In most instances the data sourced is as at 31 July 2020.

Aegon Asset Management UK plc is authorised and regulated by the Financial Conduct Authority.

8. Other considerations

We recognise that it is important for investors to be able to buy into and sell out of the Fund without any liquidity obstacles. Therefore, providing liquidity to investors is an important input to the overall value offered by the Fund.

Aegon Asset Management UK plc assesses fund liquidity levels under both normal and stressed liquidity conditions. We consider multiple factors including sector, region, market capitalisation and bid/ask spreads when reviewing fund liquidity. This assessment is done in conjunction with consideration for investor concentration levels, investor type, performance levels, market events and collateral requirements, so there is a holistic understanding of the liquidity profile.

Under stressed liquidity environments, we convene daily liquidity meetings covering market liquidity, valuations, flows and potential outflows to proactively manage liquidity. Processes and procedures are in place to manage suspensions and return proceeds to investors as soon as possible.

We are also very active in the Corporate Governance of the securities held by the Fund. We vote on all resolutions on behalf of the Fund, and actively vote against proposals where we believe they are not in the best interests of our investors.

Over the 12-month period to 31 July 2020, we voted in 456 company meetings, across our combined fund range. In 103 of these meetings we voted against at least one resolution; we abstained at least once in 101; and we voted for the resolutions in 285 of the meetings.

The Board of Directors are comfortable that there is nothing to declare to investors from the assessment of other considerations.

This document does not constitute financial advice. If you do need advice on the information provided in this document you may wish to talk to an independent financial adviser.

Past performance is not a guide to future performance. Outcomes, including the payment of income, are not guaranteed.