Asset Management

AEGON INVESTMENT GRADE BOND FUND VALUE STATEMENT

AEGON ASSET MANAGEMENT UK ICVC ('UK OEIC') WITH A YEAR END OF 31 JULY 2023

PUBLISHED NOVEMBER 2023

Introduction

The Value Statement is produced each year for funds in our UK product ranges, covering the 12-month period to 31 July 2023. The purpose of this value statement is to provide investors with a clear understanding of whether each fund offers value for money to its investors.

The following product range is in scope:

- Aegon Asset Management UK ICVC - ('UK OEIC') with a year end of 31 July 2023

Why do we produce a Value Statement?

The UK regulator, the Financial Conduct Authority ('FCA'), introduced rules in 2019 requiring asset management firms to consider, confirm and communicate whether they are delivering value for money in regard to the UK funds they are managing.

The FCA provided seven criteria that should be used in the assessment, which essentially cover quality of service delivered, costs, performance and how these compare to the market.

The Board of Aegon Asset Management UK plc takes responsibility for this process and has approved this statement. The Board of Directors is responsible for the overall governance of these UK funds. The Board of Directors includes external directors to ensure oversight and challenge of the funds is independent, comprehensive and in the best interests of investors.

The Chairman of the Board of Directors has overall responsibility for delivering this assessment.

As permitted by FCA regulations, we have elected to produce a combined Value Statement. This means we will produce Value Statements for the above product range as at 31 July 2023, to coincide with the UK OEIC fund range's annual reporting period.

The FCA requires managers to assess the following criteria:

1. **Quality of service** - we consider some of the measurements within this section to be 'baseline' criteria. This includes factors such as:
   a. ensuring the fund is managed within investment parameters, providing sufficient liquidity to enable investors to buy and sell the fund.
   b. being readily available to investors, for example by phone, post or fax.
   c. having a website that is accessible to all investors, which provides a variety of information to enable investors to understand the funds offered for investment.
2. **Performance** - how each fund has performed, net of charges, over the past year and over the time period referred to in the fund's objective.
3. **Annual Fund Management (AFM) costs** - highlighting the fund's charging components and whether these are appropriate.
4. **Economies of scale** - the extent to which economies of scale have been achieved and whether they have been passed on to investors.
5. **Comparable market rates** - how the fund's charges compare to similar funds in the industry.
6. **Comparable services** - to ensure a consistent pricing structure is applied for similar funds at Aegon Asset Management UK.
7. **Classes of units** - whether share classes, and their associated charges, are appropriate and available for investment.
8. **Other considerations** - we assess other criteria that we consider are important in the assessment of each fund to ensure we conduct a comprehensive oversight in the interests of investors. Examples include liquidity and ESG considerations (see page 5 for ESG definition).

Update on funds not providing value in 2023

There were no funds deemed ‘not providing value’ in this given period.

We recognise that investment performance is only one element of our overall framework for assessing whether our products are offering value. However, the Board acknowledges that it has been a challenging period for our fund range, given the strong exposure we have to sustainable and ethical themes which, by definition, means we could not fully participate in other investment themes that have driven the returns of many market indices over the short term.

Helpful terms

Additional Charges

These are the charges on top of the Annual Management Charge ('AMC') that form part of the Ongoing Charges Figure ('OCF'). These items include audit fees and regulation fees.

Annual Management Charge ('AMC')

This is the charge by Aegon Asset Management UK plc for managing the fund and providing its overall service.

Investment objective

This describes what the fund is aiming to achieve over a stated period. Typically, this will be to achieve income and/or capital growth over a seven-year period.

Investment Association Sector

The Investment Association has created a range of sectors and has grouped funds deemed to have similar objectives and strategies into the same sector. For example, funds investing in UK smaller companies can be found in the Investment Association UK Smaller Companies Sector.

Environmental. Social and Governance (ESG)

Where relevant, we look to incorporate Environmental, Social and Governance (ESG) factors into the investment decision-making in our funds to mitigate risk and uncover opportunities.

While some funds are not explicitly mandated to make ethical value judgements or to impose ESG-related restrictions, the judgement we make reflects the extent to which we believe ESG issues impact a stock or bond's investment case, either positively or negatively. To do that, our fund managers/analysts draw upon the expertise of our dedicated responsible investment team with whom they work closely.

Responsible investment (RI)

This is an umbrella term that covers various tools and approaches to incorporating environmental, social and governance (ESG) considerations into investment decision-making processes. It may include ESG integration and active ownership as well as dedicated, RI-focused capabilities. Related terms may include sustainable or ESG investing. More information can be found in the Responsible Investment section of our website **www.aegonam.com/responsible**.

Liquidity

Funds invest in underlying securities according to their investment mandate. They also keep a small amount of cash to assist in payment of expenses incurred by the fund. Some underlying securities take longer to sell than others – this can be influenced by a range of factors, such as which index and country the security is purchased from, how many shares are in issue and market conditions. It can take from a few days to a couple of weeks to sell securities and receive the proceeds. However, there are instances where this can take longer.

Liquidity measures how quickly the fund can sell its holdings and receive the cash proceeds. Securities are generally sold to facilitate investor sell instructions. In extreme conditions, the fund may need to temporarily suspend dealing while it sells the required underlying holdings to facilitate the sell instructions. This can happen during extreme volatility, while the Portfolio Manager is seeking favourable prices and/or in instances when a significant proportion of the fund needs to be sold.

Performance comparators

Funds will generally be compared with their peers in the appropriate Investment Association Sector. The funds may also be compared against a benchmark index. In these instances, the benchmark may act as a constraint, a target or just for comparison purposes. In most instances the funds are measured against a benchmark index and/or Investment Association sector for comparison purposes. For example, the UK Sustainable Opportunities Fund's performance is compared with the Investment Association All UK Companies Sector.

Aegon Investment Grade Bond Fund

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.

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 against the performance of other funds within the Investment Association Sterling Corporate Bond 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.

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 objective over the seven-year period. Over the 12-month period to 31 July 2023, the fund delivered negative returns but outperformed its benchmark index and peer group sector median.

Fixed income markets were volatile over the 12-month period, with core government bonds coming under significant pressure. Investment grade bonds struggled initially although they rallied as we moved into 2023 and increased over the period as a whole. High yield bonds, however, were the strongest performers, buoyed mainly by robust corporate earnings.

The main drivers of the volatile conditions were the persistence of inflation - with central banks raising rates as a consequence - and fears over the extent of a consumer-led slowdown. Political volatility was also to the fore, particularly in the UK where the short-lived Truss-led government announced unfunded tax cuts at the start of the period. This move led to concerns over the UK government's fiscal credibility and caused borrowing costs to move higher, leading to a sharp sell-off in gilts and a wave of forced selling in UK corporate bonds. However, the subsequent reversal of the government's expansionary fiscal policy – and confirmation of the new administration's commitment to a more conservative budget – bolstered confidence in gilts.

As we moved into 2023, most markets were generally more positive in terms of inflation expectations, given a decline in energy prices and weaker economic data. At the same time, fears over stresses in the banking system, which ultimately led to the demise of Credit Suisse, proved to be short-lived with no signs of wider contagion.

Given the more positive backdrop, any signs of a peak in inflation data were greeted by a rally in markets. Central banks, however, were careful to highlight that the battle to control inflation was far from over. This was particularly the case towards the end of the period, where the US Fed, the ECB and the Bank of England all raised rates, with the latter reacting to stronger than expected inflation data.

The fund came under pressure early in the period, given the political turmoil that engulfed the UK. The hit to the government's fiscal credibility – following the Liz Truss-inspired mini-budget announcement – led to aggressive sell-off in UK government bonds and subsequently a wave of forced selling in corporate bonds. The fund subsequently suffered with the renewed weakness in subordinated financial credit and corporate hybrids – especially insurance paper – detrimental to performance.

As we moved into the final three months of 2022, we became very constructive on the outlook for both the gilt and the corporate bond markets, based on what were very attractive valuations and a belief that inflation pressures would begin to moderate. We increased the fund's duration and sought to add corporate bond risk, mainly through the primary market. The reversal of the UK government's expansionary fiscal policy – and confirmation of the new administration's commitment to a more conservative budget – bolstered confidence in UK government bonds. Corporate bonds also made a strong recovery, with improved US inflation data easing fears over the extent to which global monetary policy would need to be tightened.

As we moved into 2023, the fund was well positioned to benefit from the improved market sentiment, and as the rally continued we began to reduce the level of risk in the fund, both in terms of our exposure to higher risk names and by reducing our level of interest rate risk.

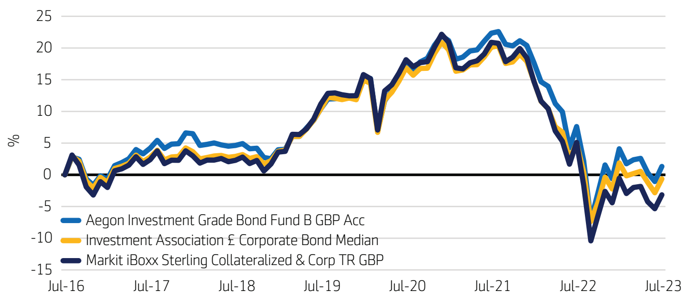
The fund continued to be positioned, however, for corporate bond markets to perform well, and therefore the risk-off tone due to the stresses seen in the banking sector, which began in March, exerted a negative influence on performance, although the subsequent recovery – notably in financial paper – helped the fund regain some performance. Of more lasting impact, however, was the sheer persistence of elevated UK inflation data, which negatively impacted corporate bonds and financial names in particular. In turn, this hampered fund performance due to our long duration position and some of our exposure to financial bonds.

We continue to believe that generic corporate bond valuations are attractive and should be supported as the market gains confidence that central banks (globally) are near the peak in rates.

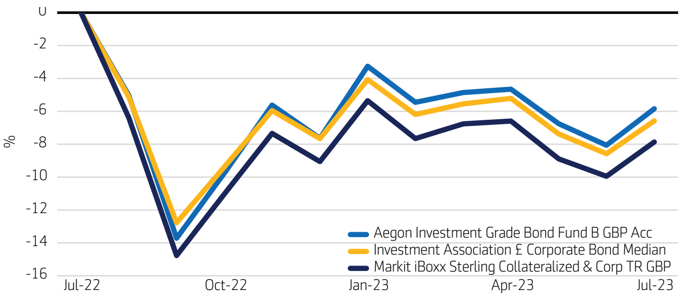
Performance of the fund covering different times periods can be found in the factsheet. Below is a link to the latest factsheet for the fund.

www.aegonam.com/investmentgradebondfund

7 year performance chart



1 year performance chart



The Board of Directors believe that over the longer term (seven years to 31 July 2023) 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 (%)	S share class (%)
Annual Management Charge	0.50	0.40
Additional Charges	0.03	0.03
Ongoing Charges	**0.53**	**0.43**

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 benefits 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 mainly 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, benefits 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 (around £188 million) of the fund, we do not believe there are sufficient benefits 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 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 peer group.

The AMC is higher than Investment Association sector median and the OCF is in line with the Investment Association sector median. 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, has contributed to a reduction in the additional charges. Investors can see this when they compare the fund to 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 2020 and 2021 to transfer investors from higher AMC charging class A into class B. Those investors who were originally in class A subsequently benefited from lower fees in class B.

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. We believe this fund offers reasonable liquidity to investors.

Aegon Asset Management UK plc assesses fund liquidity levels under both normal and stressed liquidity conditions. We consider multiple factors including sector, region, credit rating 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.

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The Board of Directors believe 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.

Source: Lipper, as at 31 July 2023, 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 Sterling Corporate Bond Sector. Investors are invited to compare the fund's performance against the performance of other funds within this 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. The comparison should be performed over at least a seven-year period to provide the most useful long term comparison.

Contact us

For prospective Shareholders - correspondence to be via the ACD's "please contact us" link available on the ACD's on-line Portal.

For all other Shareholders - correspondence to be via the ACD's on-line Portal unless separately agreed. A link for the ACD's on-line Portal is located at the ACD's website **www.aegonam.com**.

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