

The case for income: Building resilience in uncertain times



Welcome to the first article of our multi-part series, in which we share our views on the income opportunities available today across fixed income, equities and multi-asset solutions.

In this article, we examine how income-focused strategies can help build more resilient portfolios, providing some stability amid heightened market uncertainty.

Charting a course through 2025

As 2025 progresses, the global economic outlook remains uncertain. Markets are vulnerable to ongoing risks from trade tariff tensions, inflationary pressures, slowing growth and policy worries.

The one thing that is certain, though, is that uncertainty will persist, leaving investors grappling with how to navigate this environment, where to uncover opportunities and which areas to avoid.

It is in this context that we make **the case for income**.

Income-oriented strategies can help investors build more resilient portfolios that weather volatile markets. Offering a mix of benefits, including steady cash flow, lower volatility and greater diversification, these strategies can help those investors seeking stability in uncertain times while building a reliable income stream for their longer-term needs.

Why income now?

Increasing geopolitical and market risks

Income-generating investments are a strong foundational element for portfolios in any environment. However, in a world where market volatility threatens retirement plans and wealth preservation, income strategies provide what investors need most: reliability when everything else is unpredictable. Uncertainty is high, risk is skewed to the downside and the range of potential investment outcomes continues to widen.

Trade tensions	Trump's flip-flopping on tariffs and headline rhetoric is causing market turbulence and anxiety, making it more challenging to predict economic conditions ahead.	→	Bouts of short-term market volatility impacting investors' retirement and wealth pots and decision-making behaviours.
Political tension and continuing military conflict	Continued conflict in Ukraine and Middle East and related US/European political tension requiring greater defence spending.	→	Need for greater defence spending for many governments will have knock-on impact for their spending and growth plans and fiscal policy.
Inflation remains persistent	Tariff related inflationary concerns and higher energy bills, combined with global central banks' continued fight against inflation, make it more difficult to forecast inflation expectations.	→	Elevated prices and cost-of-living pressure persists. Cash flows need to keep pace with inflation to retain purchasing power.
Interest rates past their peak	While interest rate expectations have moderated, further cuts are still expected from major central banks.	→	Falling cash rates reduce savings growth and the attraction of cash investments.
Benign/slowing growth	Lower than expected growth in earnings and return expectations.	→	Causes uncertainty and concern for pension and private savings adequacy.
Fiscal policy change	Economic strains putting pressure on fiscal rules and government tax and spending policies e.g. in the UK and Germany.	→	Fiscal policy adaptations have potential tax, spending, income and benefit implications for governments, business and individuals.

Opportunity

While downside risks are heightened, there is still ample opportunity to generate a good level of income across asset classes. Higher bond yields and strong levels of dividend growth mean income-bearing assets currently offer investors an excellent opportunity to either generate income for its own sake or as a contribution to a strong prospective total return.

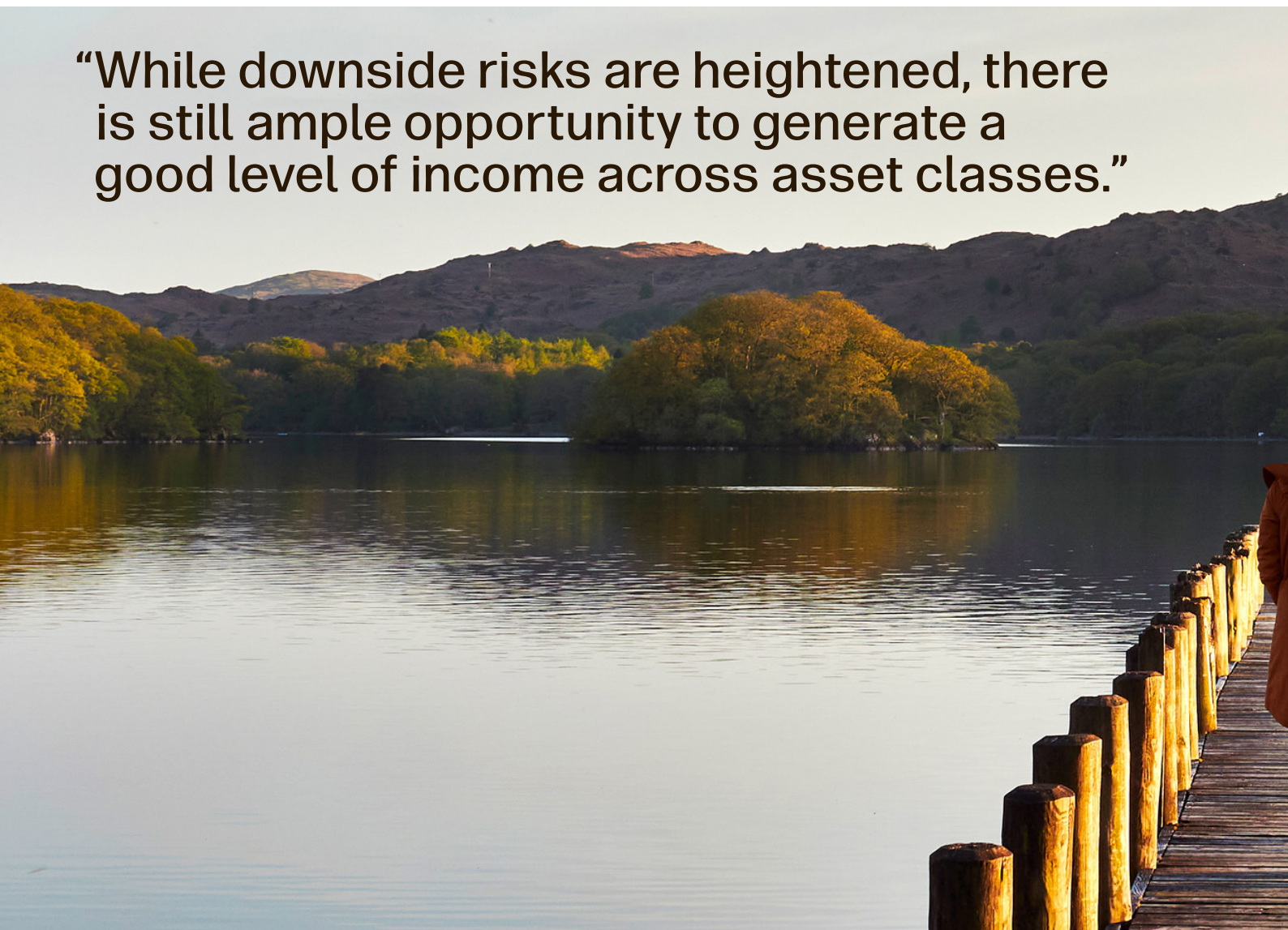
Higher bond yields offer value*: Ten-year UK government bonds currently yield 4.5% and US Treasuries 4.2%, while the additional yields offered by investment grade and high yield corporate bonds are currently around 6.0% and 9.3%, respectively.

Global equity dividends grow and broaden: 2024 was another record year, generating \$1.75 trillion of dividends across regions and sectors.

This backdrop calls for strategies that can help investors cut through the noise and associated volatility to access attractive yields and provide much-needed cash flow for both individual and institutional investors alike.

*Source: Bloomberg as at 25 April 2025.

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Benefits of income investments

Strategically implemented income-oriented solutions can deliver multiple portfolio enhancements that directly address clients' risk-return objectives.



Steady cash flows

can be reinvested or used to meet specific needs, such as retirement income, living expenses or charitable obligations



Lower volatility

typically less sensitive to movements in underlying asset prices and market swings than growth-focused investments, providing a more stable portfolio



Capital preservation

helps safeguard capital while generating attractive total returns, particularly valuable during volatility



Diversification

reduces risk by providing steady returns from diverse sources of income across and within asset classes.



Accessing income

There are many ways for investors to access income that supports a well-diversified portfolio, not least by asset class, geography and sector.

Fixed Income

Bonds are a natural source of income as investors benefit from a fixed stream of cash flows via coupon payments. When combined with possible capital (price) appreciation, bonds can provide steady income and attractive total return potential.

Subject to investors' risk preferences, global government, investment grade and high yield assets can all provide attractive income opportunities.

Equity Income

Within equity markets, dividends are a vital component of long-term total returns. We are in a 'golden age' for dividend investing, in terms of both size and scope of distributions.

The opportunity set is wider than ever, enabling portfolios to offer a blend of exposures and greater flexibility to provide resilience through changing market conditions.

Multi-Asset Income

Diversified multi-asset strategies offer a flexible, one-stop solution. They can help deliver consistent income and stable returns throughout the market cycle by dynamically allocating to the best income opportunities across asset classes.

Multi-asset strategies have the flexibility to respond quickly and decisively to current, real-world challenges, and the vision to support longer-term opportunities, particularly relevant to income generation.

Proven capabilities in meeting investor needs

The need for income is common across many investor types, although what they use it for varies. Some require enhanced income to achieve their lifestyle plans, while others rely on it in retirement. There is also a growing need for income from institutional DB and DC pension fund members in decumulation. At the same time, charities and endowments depend on it to meet or increase their commitments.

Other key considerations include the best sources of income, which will depend on the level of cash flows required, their sustainability and the diversification of the income stream.

Aegon Asset Management has a long history of actively managing income-bearing strategies on behalf of clients. We also have a proven track record of generating income and outperforming market benchmarks and peer groups.

To support our clients' growing need for income, we have a wide range of solutions, including strategies with explicit income-related objectives. We also offer total return-focused strategies, in which we expect income to be a driving factor, particularly in 2025.

Strategies include:



Equity

Global Equity Income



Fixed Income

High Yield

Investment Grade

Investment Grade Global

Global Short-Dated Climate Transition



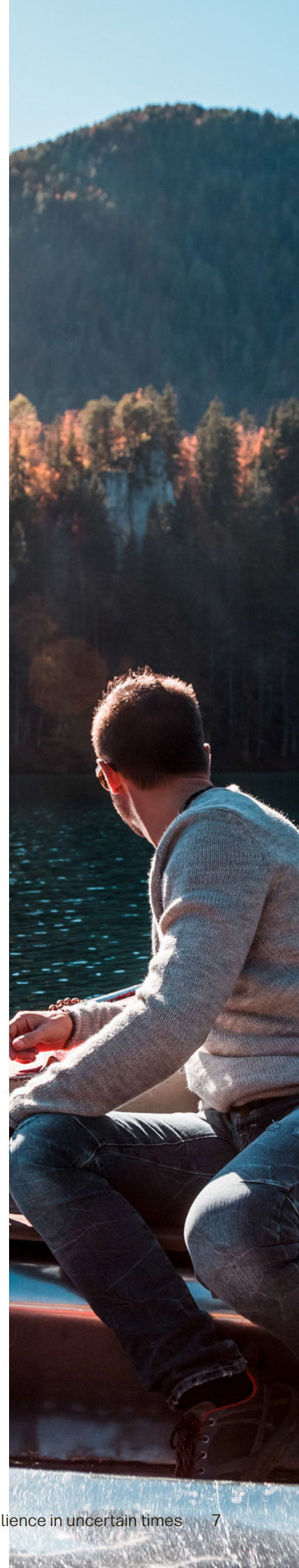
Flexible one-stop solution

Diversified Monthly Income

Strategic Bond

In this unpredictable market landscape, income-focused solutions can help investors chart a course towards greater stability, more resilient portfolios and long-term financial confidence.

To find out more aegonam.com/case-for-income



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