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Aegon Absolute Return Bond Fund

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Is now the time for a cash alternative? Absolutely - It's time for your cash to work harder

For the last 2 years, cash has been an attractive asset class for investors – interest rates were rising while bond and equity prices were falling.

This time is coming to an end.

Interest rates are now being cut and are expected to fall further – as a result, returns on cash holdings will also fall. This has been widely highlighted already, with the obvious benefits of switching cash into bond strategies of any flavour: Investment Grade, High Yield, Strategic Bond etc. The argument is clear.

But what about those who **still need to hold cash** or cash like assets?

Why the Aegon Absolute Return Bond Fund is an ideal solution

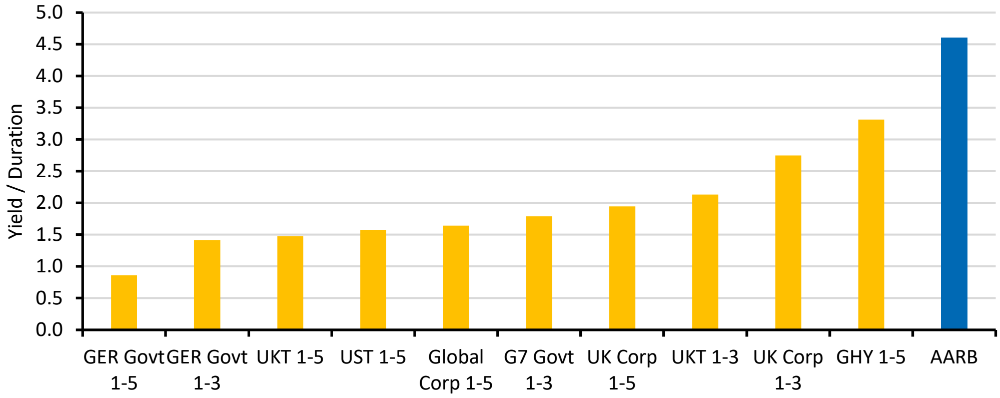
- The fund is managed with a Cash Plus target (Cash +2%) with a 12yr track record[1]
- Investments focused on short-dated bonds
- Risk adjusted returns are superior vs cash alternatives (see Figure 2)
- Low correlation with broader market returns (see Figure 4) – offers diversification
- Downside risk management and capital preservation is at its core
- Offers daily liquidity – successfully provided even during stressed market conditions
- Current yield vs cash rate is attractive – providing a cushion against uncertainty
- Enhanced risk-adjusted returns vs cash can be achieved in a rate falling environment
- Active management of duration and credit risk can protect capital if the cycle turns

Attractive valuations at the turn of the cycle

The rise in yields has left bonds in a very attractive position with valuations compelling. This is most obvious in shorter-dated assets where the level of yield on offer vs the risk being taken is at its most generous in over 15 years. This dynamic supports the outlook for the Aegon Absolute Return Bond Fund vs. Cash.

As can be clearly seen below, the fund has a higher yield per unit of duration risk than any of these other short-dated areas of the fixed income market, while exhibiting a lower level of volatility (see Figure 2): AARB = attractive risk/reward potential.

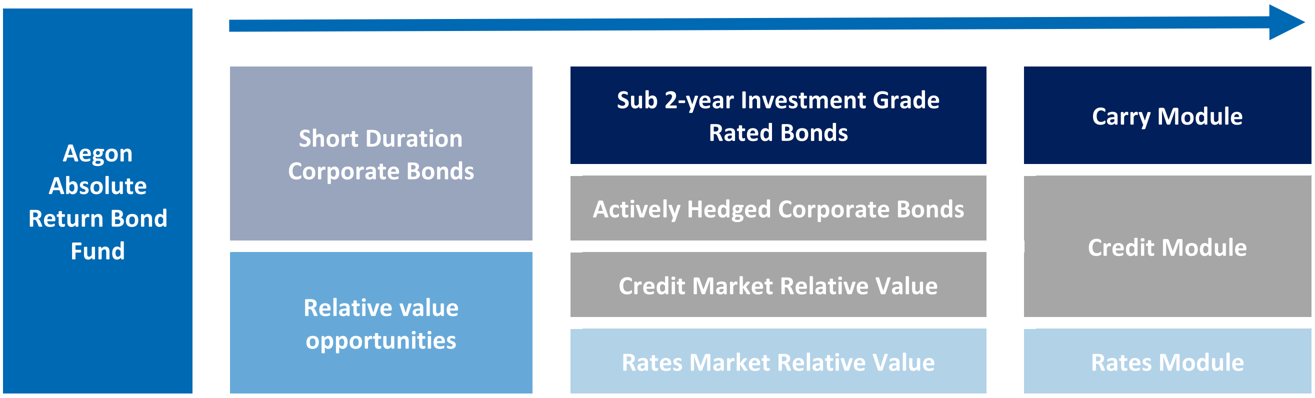
Figure 1: Yield per unit of duration



Source: Aegon AM, Bloomberg, as at 31 July 2024. Aegon Absolute Return Bond Fund B (Acc) GBP shares for 'AARB' and the following indices in local currency: ICE BofA 1-5 Year German Government 'GER Govt 1-5'; ICE BofA 1-3 Year German Government for 'GER Govt 1-3'; ICE BofA 1-5 Year UK Gilt for 'UKT 1-5'; ICE BofA 1-5 Year US Treasury for 'UST 1-5'; ICE BofA 1-5 Year Global Corporate for 'Global Corp 1-5'; ICE BofA 1-3 Year G7 Government (USD) for 'G7 Govt 1-3'; ICE BofA 1-5 Year Sterling Corporate for 'UK Corp 1-5'; ICE BofA 1-3 Year UK Gilt for 'UKT 1-3'; ICE BofA 1-3 Year Sterling Corporate 'UK Corp 1-3'; Bloomberg Global High Yield (USD) for 'GHY 1-5'.

How is this achieved?

- Invest in predominately short-dated corporate bonds to generate core returns
- Actively manage the overall degree of both duration and credit risk
- Generate additional returns through relative-value strategies
- Positions and risk managed using innovative three module approach

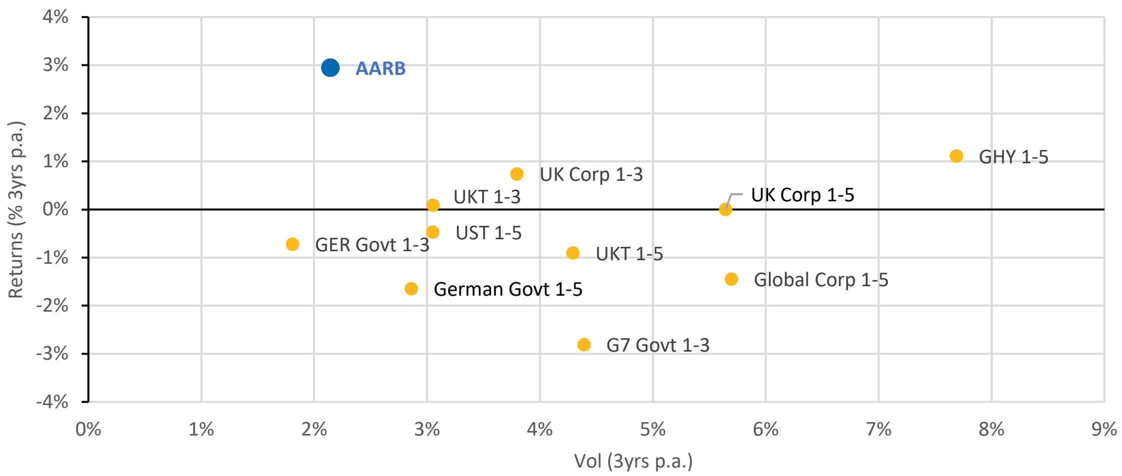


Carry Module	Diversified collection of short-dated and high-quality corporate bonds
Credit Module	Hedged corporate bonds and relative value opportunities
Rates Module	Government bond market relative-value alpha opportunities

What is the outcome?

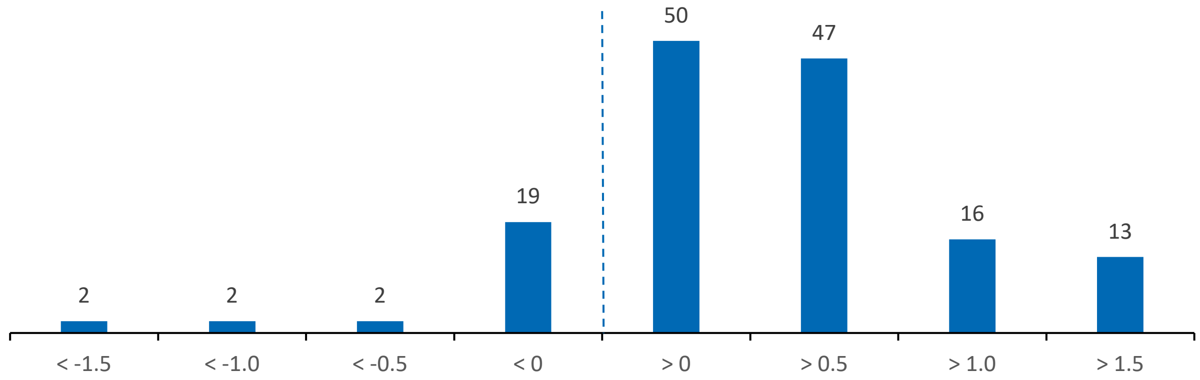
- 12-year track record of delivering attractive risk adjusted returns[1]
- Lower volatility of returns vs. cash alternatives
- Effective downside-risk management to aid capital protection
- Low correlation vs fixed income or equity market returns (see Figure 4)

Figure 2: Annualised total return versus volatility – 3 years



Source: Aegon AM, Bloomberg, as at 31 July 2024. Reflects annualized total return and standard deviation (volatility) over a 3 year period. Based on daily returns. Aegon Absolute Return Bond Fund B (Acc) GBP shares for 'AARB' and the following indices in local currency: ICE BofA 1-5 Year German Government 'GER Govt 1-5'; ICE BofA 1-3 Year German Government for 'GER Govt 1-3'; ICE BofA 1-5 Year UK Gilt for 'UKT 1-5'; ICE BofA 1-5 Year US Treasury for 'UST 1-5'; ICE BofA 1-5 Year Global Corporate for 'Global Corp 1-5'; ICE BofA 1-3 Year G7 Government (USD) for 'G7 Govt 1-3'; ICE BofA 1-5 Year Sterling Corporate for 'UK Corp 1-5'; ICE BofA 1-3 Year UK Gilt for 'UKT 1-3'; ICE BofA 1-3 Year Sterling Corporate 'UK Corp 1-3'; Bloomberg Global High Yield (USD) for 'GHY 1-5'.

Figure 3: # Monthly observations of rolling quarterly returns



Source: Lipper as at 30 June 2024. NAV to NAV, noon prices, income reinvested, excluding entry or exit charges. Aegon Absolute Return Bond Fund B (Acc) GBP shares. Returns are net % sinch launch on 30 September 2011.

Figure 4: Correlation vs asset classes since launch

	Component	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Aegon ARB	**1.00**												
2	Global Equities	**0.05**	1.00											
3	US Equities	**0.03**	0.96	1.00										
4	Global Aggregate	**0.09**	-0.04	-0.04	1.00									
5	Treasuries	**0.06**	-0.11	-0.09	0.79	1.00								
6	Global Inflation Linked	**0.06**	-0.03	-0.02	0.79	0.79	1.00							
7	Global Investment Grade	**0.14**	0.06	0.04	0.92	0.82	0.70	1.00						
8	Global High Yield	**0.22**	0.61	0.51	0.27	0.15	0.21	0.46	1.00					
9	EM (Hard Currency) Aggregate	**0.19**	0.41	0.33	0.56	0.45	0.43	0.68	0.85	1.00				
10	US Aggregate	**0.07**	-0.07	-0.07	0.93	0.84	0.68	0.93	0.24	0.53	1.00			
11	Sterling Aggregate	**0.06**	-0.11	-0.09	0.75	0.79	0.84	0.63	0.10	0.33	0.59	1.00		
12	Euro Aggregate	**0.07**	0.07	0.07	0.80	0.84	0.67	0.67	0.28	0.46	0.58	0.67	1.00	
13	Sterling Gilts	**0.05**	-0.14	-0.11	0.74	0.78	0.83	0.61	0.05	0.30	0.58	1.00	0.65	1.00

Source: Aegon AM, Bloomberg, as at 31 July 2024. Correlations shown in the table are based on daily returns of Bloomberg indices (in local currency) against Aegon Absolute Return Bond Fund B (Acc) GBP shares, net of fees. Launch 30 September 2011.

The need to offer liquidity is paramount

For any cash alternative investment, liquidity is crucial. Investors need to have confidence that they can access their money whenever they need it. Liquidity is at the heart of our fund – by investing predominately in short-dated bonds that are both widely traded and highly liquid, we have successfully offered investors liquidity each day since launch. This includes times of extreme market stress such as the Brexit vote, Covid Pandemic and the recent UK LDI crisis, where investors used our fund to access liquidity that they were unable to get elsewhere.

For those facing the challenge of falling returns from cash: the Aegon Absolute Return Bond Fund can be a solution.

[1]Absolute Return Bond Fund B (Acc) GBP. Launch 30 September 2011.

Calendar Year Performance

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund B Acc GBP	6.19	-0.62	0.53	2.79	1.71	-0.14	0.81	1.44	0.71	2.12
SONIA 3m GBP	4.34	1.03	0.09	0.29	0.81	0.73	0.36	0.50	0.57	0.54

Source: Lipper as at 31 December 2023. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Fund returns based on noon prices. Benchmark is at close. Past performance is not a guide to future returns. Launch 30 September 2011. The benchmark is SONIA GBP 3 Month. The benchmark changed from LIBOR to SONIA on or around 9th of December 2021.

Investment policy

The Aegon Absolute Return Bond Fund investment policy: invests worldwide in:

- Investment grade (lower risk) and high yield (higher risk) bonds issued by companies and governments;
- Derivatives (financial contracts whose value is linked to an underlying asset);
- Cash, deposits and money market instruments (a form of debt security); and
- Up to 20% in a combination of investments in emerging markets (those economies that are still developing) and high yield (higher risk) bonds.

The Fund is actively managed.

The Fund has discretion in its choice of investments and is not restricted by market sector. It may also hold a limited range of other investments and it is not constrained by any benchmark or index.

The Fund may use derivatives for investment purposes, to benefit from changes in the price of an underlying asset without actually owning it.

The Fund may use investment techniques to manage risks and costs. These techniques include 'hedging' (using derivatives and other financial contracts to reduce the risk associated with: (i) making investments in other currencies; or (ii) interest rates changing). Up to 5% of the Fund may not be 'hedged' i.e. the Fund is exposed to the risks of investing in another currency for this portion.

The Fund may hold substantial amounts of cash to implement investment techniques or meet its objective.

Risks – the main risks are:

- **Credit**: An issuer of bonds may be unable to make payments due to the Fund (known as a default).
- **Liquidity**: The Fund's value may fall if bonds become more difficult to trade or value due to market conditions or a lack of supply and demand.

For more details on the risks for this fund please see the KIID or Prospectus

Important information

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This is a marketing communication. Please refer to the following legal documents of the UCITS before making any final investment decisions. For UK investors: please refer to the Prospectus and the UCITS KIID. 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.

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