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Aegon Global Equity Income Fund

Q4 2024

Dividends have always formed an important component of total returns from equities. Global dividend payouts are at record levels and share buybacks are not far off their own highs. Coupled with the current market environment, this means conditions have rarely been more favourable for equity income.

Premium income from quality companies

We take a 'quality income' approach and our experienced team uses a well-established process to build a focused portfolio of 40-50 high-quality companies that pay reliable and growing dividends.

Our approach emphasises consistency, which we believe is a powerful force in investing. We look for quality companies that can moderately but consistently outperform the market over time and, importantly, do so with lower volatility, avoiding blowups. As a result, the fund has delivered an above median return versus its peer group for 11 consecutive years and is first quartile over one year, three years, five years, ten years and since inception¹.

The Fund seeks to deliver a premium income stream of around 30% more than the MSCI AC World Index, along with the potential for capital appreciation and can provide a solution to a range of investor needs, including:

- Premium income delivery
- Defensive exposure to global equities through a lower-beta approach
- A consistent, reliable core equity allocation
- Complement to a more growth-focused portfolio



Mark Peden
Co-manager



Douglas Scott
Co-manager



Robin Black
Co-manager

INVESTMENT
WEEK
**FUND MANAGER
OF THE YEAR
AWARDS 2022**
FINALIST
Global Income

“We take a ‘quality income’ approach and our experienced team uses a well-established process to build a focused portfolio...”

Why the Fund is distinctive

1. An attractive solution for the current market environment

Companies are returning record amounts of capital to shareholders and, in addition, investing in large, well-established, dividend-paying companies is a proven strategy when interest rates are elevated.

2. Over a decade of successful performance

The Fund is a proven performer. It is top quartile within its peer group over 1 year, 3 years, 5 years, 10 years and since launch. It has also delivered an above median performance in each of the past eleven calendar years¹.

3. A consistent philosophy

We focus on quality companies with strong balance sheets, high return-on-equity, and well-covered dividends. We avoid the deep value areas of the market, where yields can seem attractive, but are unlikely to be sustained.

4. SFDR Article 8

The fund is categorised as Article 8 under SFDR. ESG factors are integrated into our bottom-up analysis and we target a weighting of 1.2 times the index weighting in stocks ranked AAA and AA for ESG by MSCI.

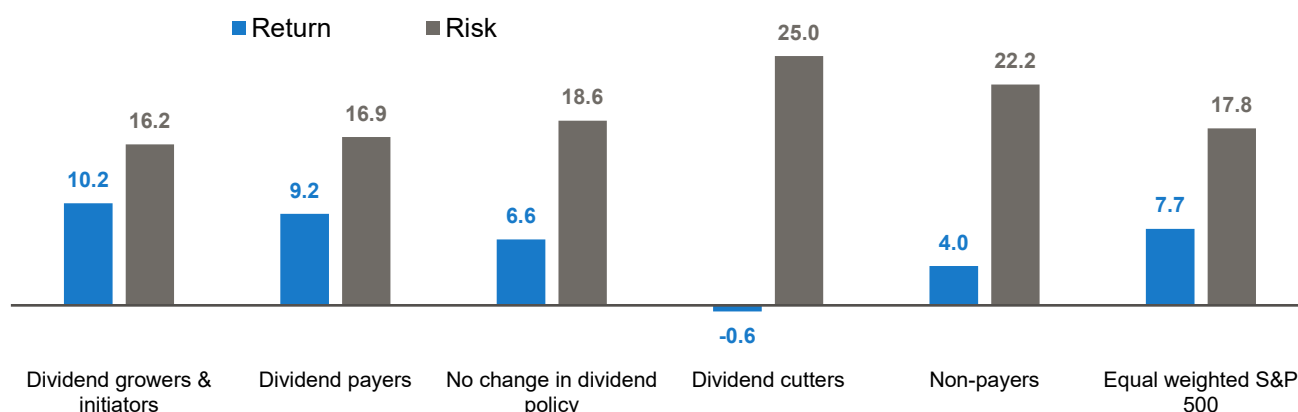
5. Experienced and stable management team

The Fund's management team has an average investment experience of over 25 years² and has been extremely stable over time. Mark Peden is the architect of the strategy and has managed the Fund since launch.

The power of dividends

Dividend income has proven to be an important component of long-term total equity returns. For example, in the US, dividends have contributed 36% of the total return on the S&P 500 since 1940 (with price movements accounting for 64%). In addition, data shows that dividend paying companies outperform non-payers over time and those that initiate or increase payouts record higher returns for lower risk than companies that keep their dividend static, cut it, or don't pay one at all.

Chart 1: Return & risk of stocks by dividend policy 1973 – 2022



Source: Bloomberg, Kepler Cheuvreux for illustrative purposes.

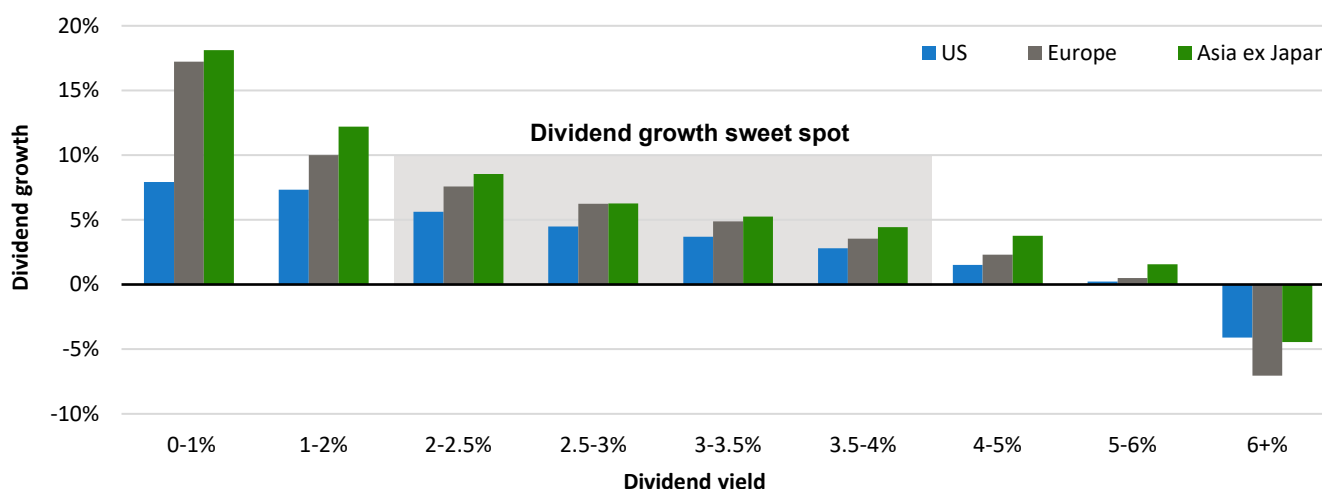
This was easy to overlook in the latter part of the 2010s, when markets were driven by growth but the backdrop has changed and the current environment of higher interest rates than we've been used to, combined with slower global growth plays right into the hands of our quality income style. It is in these conditions that equity income strategies tend to perform well and with global dividends and share buybacks at record levels the outlook is favourable. Even at these record levels, corporate balance sheets are strong and the payout ratio on the MSCI ACWI remains below its long-term average, meaning these dividends remain well covered.

Finding the dividend growth sweet spot

The Aegon Global Equity Income Fund targets around a 30% income premium to the wider global equity market, as defined by the MSCI All Country World Index. This 30% premium is what we call the income 'sweet spot'. Any less and the income may not offer protection, more and the income becomes vulnerable to dividend cuts.

Our Fund is premium yielding rather than high yielding. This means our income is stable and growing, rather than the highest out there, which helps to protect downside risk. History shows that once stocks have a dividend yield over 4% the dividend growth slows materially. Above 5% and the growth becomes negligible, while above 6% and the dividends typically decline. We illustrate this in Chart 2, which shows our dividend yield 'sweet spot' of between 2% and 4%.

Chart 2: Finding the dividend growth sweet spot



Source: SG Cross Asset Research/Equity Quant, June 2021.

A highly diversified portfolio with strong ESG characteristics

The Fund's income generation is extremely well diversified across the portfolio, which we illustrate in Chart 3. It's the same for dividend growth, which is shown in Chart 4. Every stock contributes and none dominates. This is far removed from a typical 'barbell' approach favoured by some competitors, where the portfolio depends on a handful of high yielders for the bulk of its income.

In addition, we also recognise the importance of ESG factors in fundamental analysis and think this plays a key role in the stability and sustainability of dividend payouts over time. To meet the requirements of Article 8 under SFDR, the fund targets a weighting of 1.2 times the index in stocks ranked AAA and AA (the highest two categories) for ESG by MSCI – a mark that it materially exceeds.

Chart 3: Contribution to dividend yield

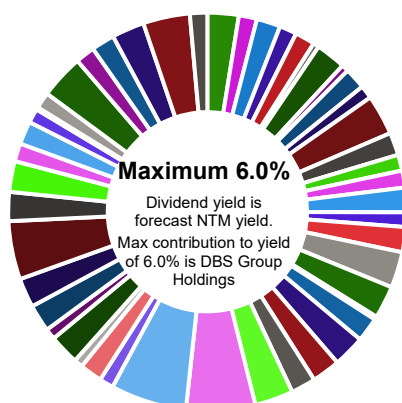
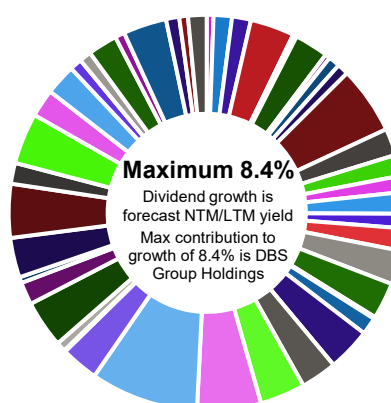


Chart 4: Contribution to dividend growth



Source: FactSet as of 31 December 2024. Next Twelve Months (NTM). Aegon Global Equity Income C (Inc) USD share class – a representative portfolio.

Beyond the compounders

Another distinctive aspect of the portfolio is that it includes different types of income stocks, going beyond the traditional 'compounders' that deliver steadily increasing dividends year on year. These are, of course, a vital component of any income fund, ours included, but while many peers stop there, we also include what we call 'Hoarders' and De-equitisers':

Compounders	Consistent annual dividend growers with long-term records of increasing dividend-per-share.
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Hoarders	Have the operating success and balance sheet strength to potentially increase dividend payouts and positively surprise the market. Significant dividend increases are typically met with solid share price increases, adding to the total return of the shares.
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De-equitisers	Have capital structures that offer scope for equity retiral through M&A or share buy-backs.
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This results in a differentiated offering and has helped the strategy offer good balance through changing market environments, having offered a lower drawdown profile in stressed markets but also having kept pace well with rising ones.

Our process has remained unchanged since launch and this stability has been a key part of our success.

Summary

We think this is a golden period for dividend investing and with a stable team and process having generated top quartile returns for over a decade¹, the Aegon Global Equity Income Fund offers an attractive solution to capture that favourable backdrop. Consistency, reliability and longevity symbolise what the Fund has delivered over the years and what we are focused on continuing to deliver for clients going forward.

For more information about the Fund, please contact your usual Aegon Asset Management representative or visit www.aegonam.com/geif.

¹Source: Lipper. Quartiles to 31 December 2024, calendar years to 31 December 2024. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. The Aegon Global Equity Income Fund C Inc GBP share class is included in the Investment Association Global Equity Income sector as a relevant comparison for UK Investors. Inception 30 September 2013.

²Source: Aegon AM as at 31 December 2024.

Investment policy and risks

Investment policy

The Fund shall directly invest at least 80% of the Net Asset Value of the Fund in equity securities. The Investment Manager in seeking to achieve the Fund's investment objective, intends to invest primarily in a portfolio of global equity securities providing an above average yield. The main risks of the fund are:

Other markets	The Fund may invest in countries which have less developed political, economic and legal systems and which provide fewer investor protections. Difficulties in buying, selling, safekeeping or valuing investments in such countries may reduce the value of the Fund.
Concentration risk	Holding a limited number of underlying investments means a change in the value of any one investment has more impact on the Fund's value. This increases potential gain but also potential loss.
Foreign exchange risk	The Fund's portfolio of investments may be denominated in a range of currencies which differ from the Fund's base currency. Fluctuations in these currencies may increase the risk of losses to the Fund where hedging is not used or is incomplete or unsuccessful.
Fund charges	The Fund charges its fees against capital, which will increase the amount of income available for distribution to shareholders, although may constrain capital growth.

For more details on the risks for this fund please see the KIID or Prospectus at www.aegonam.com/documents.

Calendar year performance (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Aegon Global Equity Income Fund C GBP Inc	16.38	12.09	-0.93	22.20	9.35	21.66	-5.37	12.78	22.73	10.06	6.44
MSCI World AC index GBP	20.13	15.88	-7.62	20.14	13.22	22.38	-3.27	13.84	29.40	3.84	11.22
IA Global Equity Income sector median*	11.39	10.75	-4.06	19.47	1.21	15.63	-8.41	11.29	16.53	4.03	4.91

Source: Lipper as at 31 December 2024. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Performance for the C Inc GBP share class. The performance benchmark is the MSCI All Countries World Index GBP. Benchmark and sector source: Lipper. Note: index benchmarks have close of day prices. *The Aegon Global Equity Income Fund C Inc GBP share class is included in the Investment Association Global Equity Income sector as a relevant comparison for UK Investors.

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Fund Charges are taken from capital, increasing distributions but constraining capital growth.

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AdTrax: 4874269.15 | Expiry: 31 January 2026