

Time to fix: Is this the moment bond investors have been waiting for?

Aegon Strategic Global Bond Fund

16 February 2023

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For professional / qualified investors.
This is a marketing communication.

*Beyond
borders™*

Supporting Families Beyond Borders



for every child

We are committed to participating in sustainable events.

Instead of bringing large quantities of branded merchandise, we now donate to UNICEF for every delegate who attends our events across Europe.

By the end of 2022 we had supported the distribution of 1 million Covid-19 vaccine doses under to UNICEF's 'Vaccines for all' campaign.

In 2023 we are supporting UNICEF's work with partners to reach vulnerable children and families with essential services – including health, education, protection, water and sanitation – as well as life-saving supplies.

For more information about UNICEF's work visit:
www.unicef.org/take-action

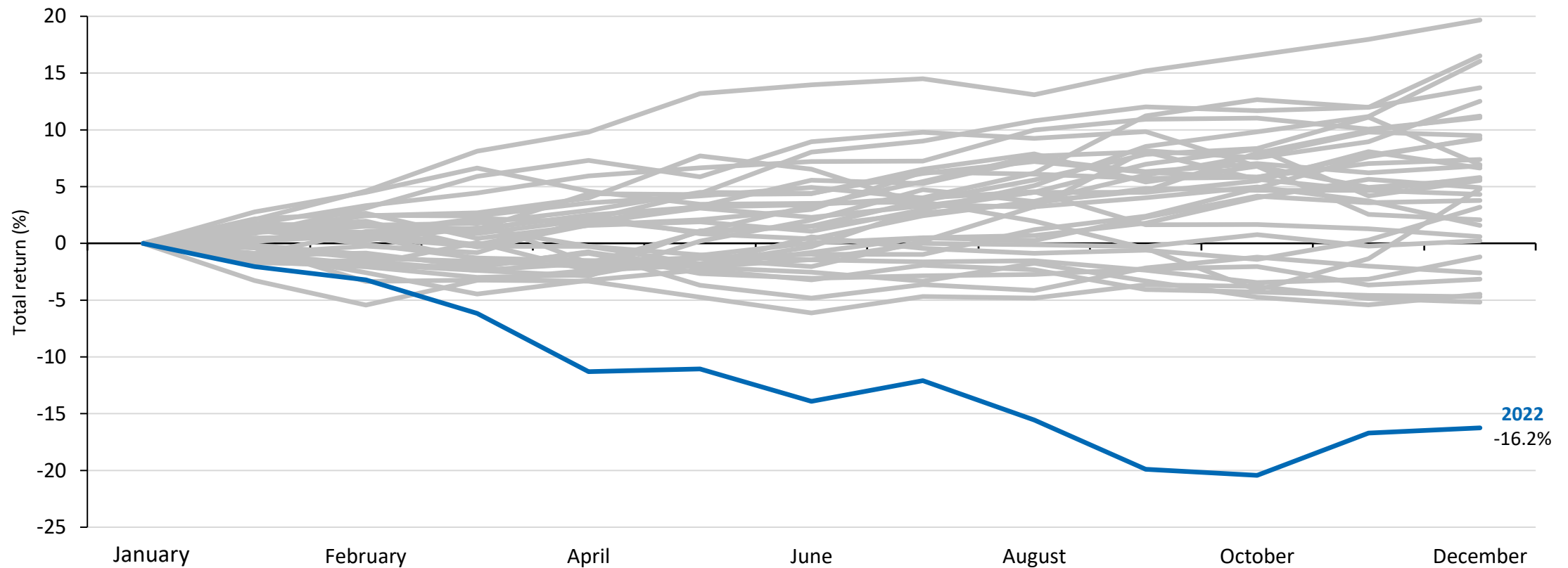
Opportunities and outlook

Aegon Strategic Global Bond

2022 review

2022 will be remembered as one of the worst years for bond markets in recent history

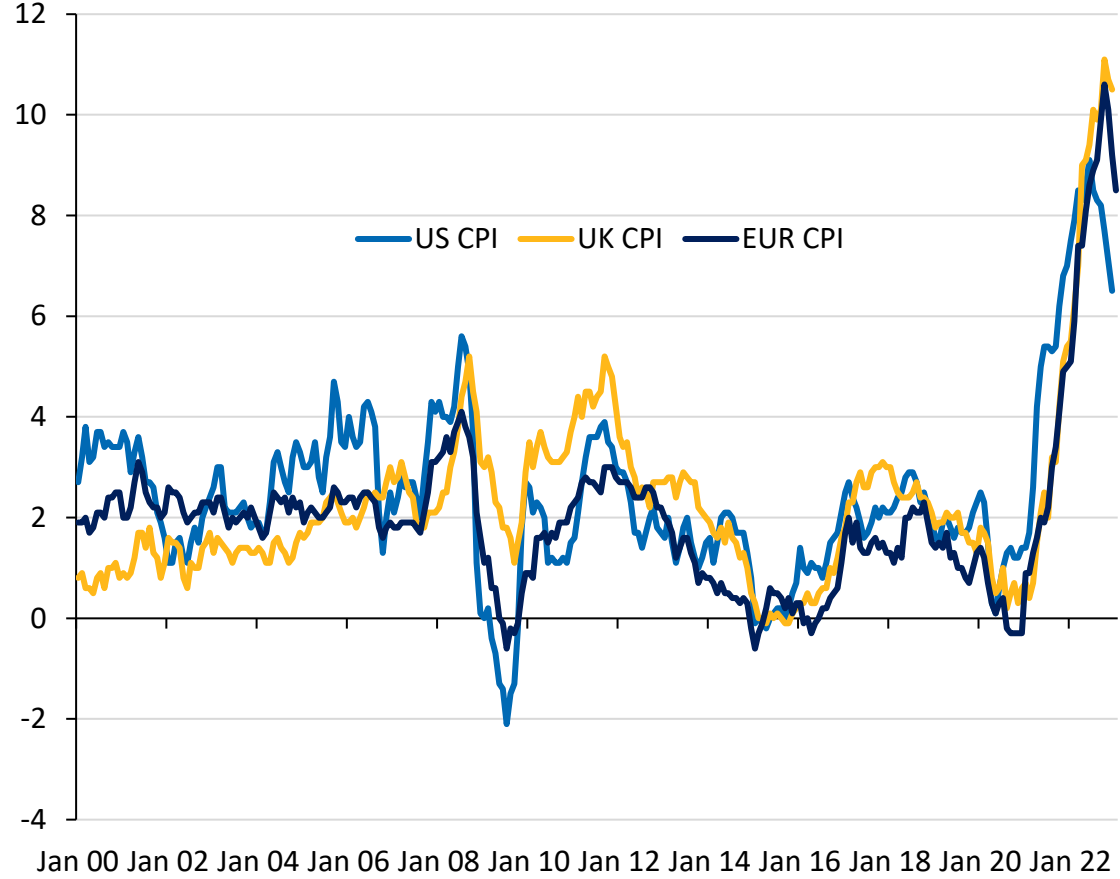
Bloomberg Global Agg: yearly returns since 1990



Source: Bloomberg as at 31 December 2022

Macro backdrop now supportive of fixed income markets

Global Inflation - passing its post pandemic peak



Natural Gas Price - collapsing from 2022 peak

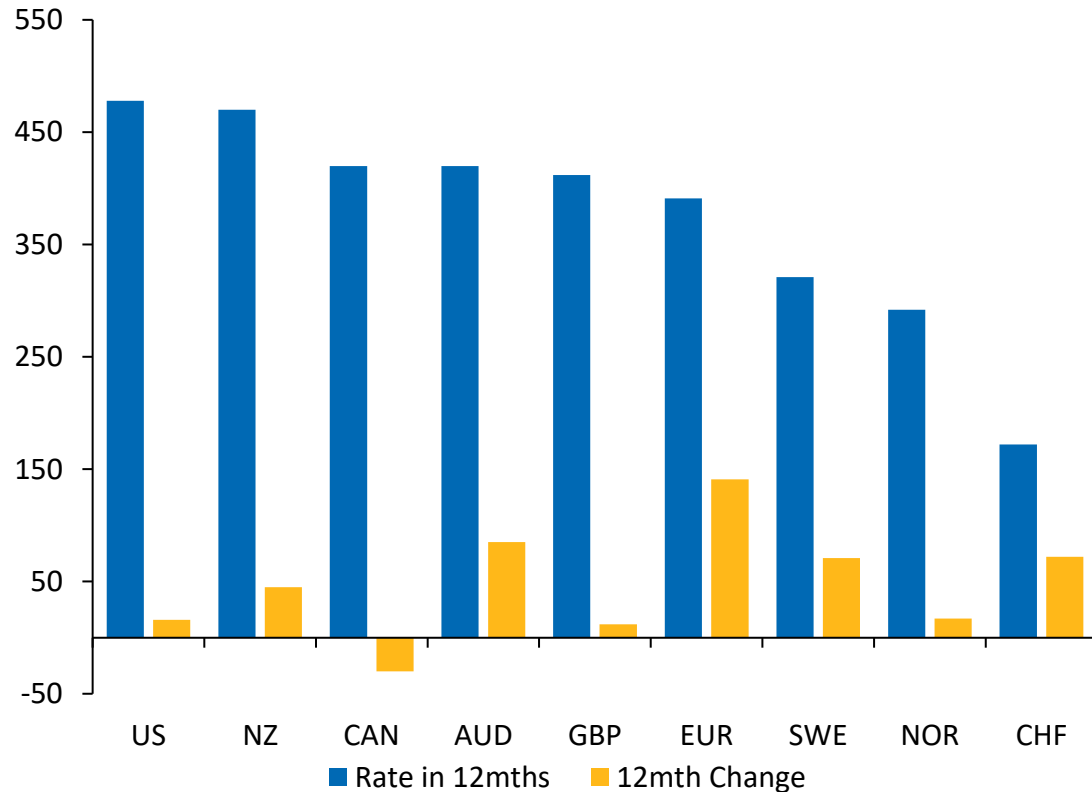


Source: Left hand chart Bloomberg as at 31 January 2023; right hand chart Bloomberg as at 8 February 2023

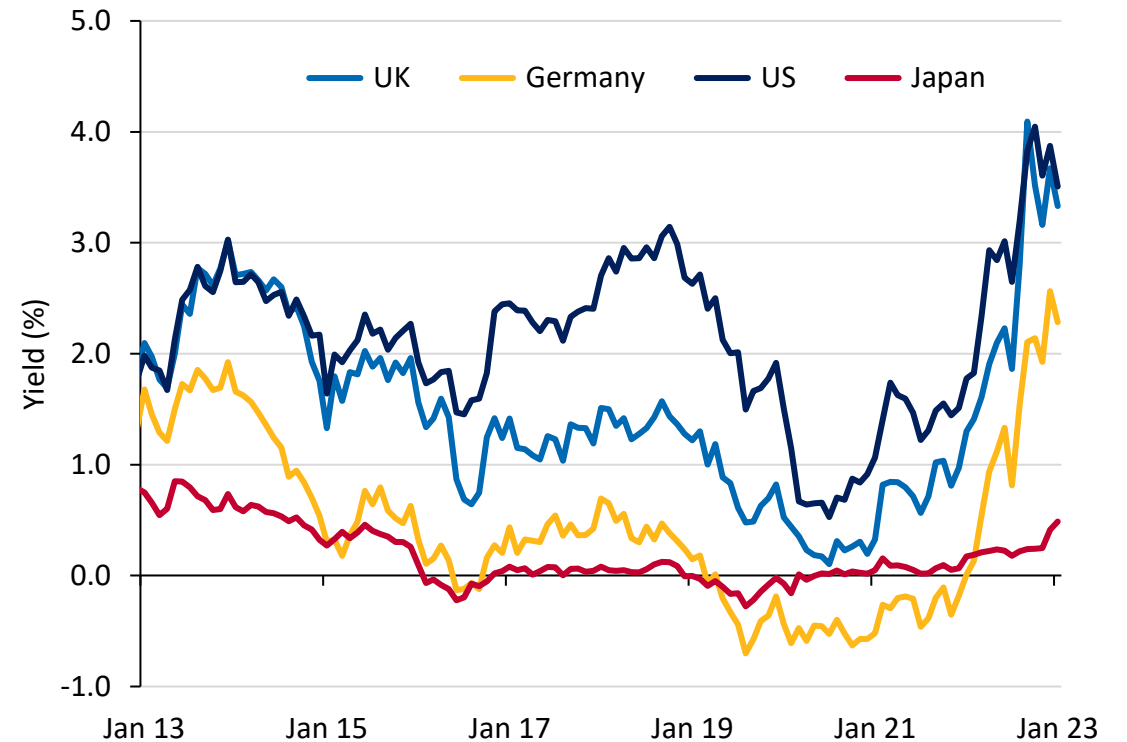
The opportunity in 2023

Higher interest rates are near fully priced in – Government bond yields at elevated levels

Central Banks - interest rate expectations



Core Government Bonds - 10yr Yields



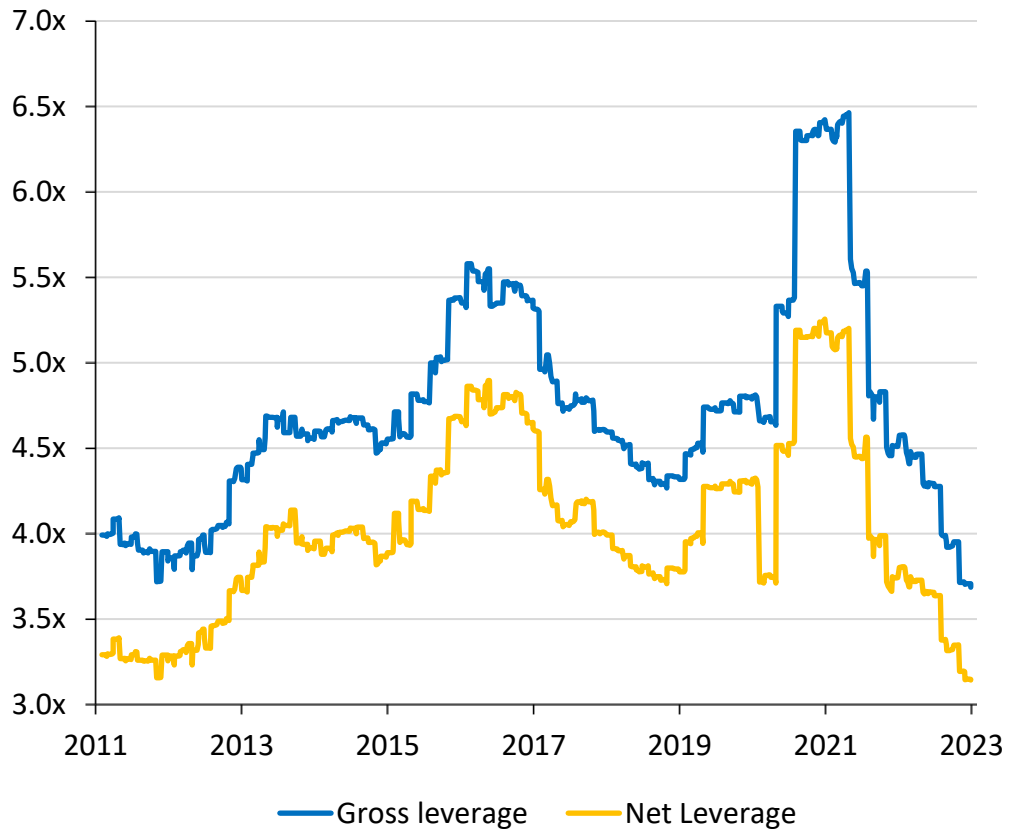
Source: Left hand chart Bloomberg as at 8 February 2023; right hand chart Bloomberg as at 31 January 2023

Healthy fundamental starting point and muted defaults outlook

Company fundamentals are solid with strong balance sheets and healthy credit metrics

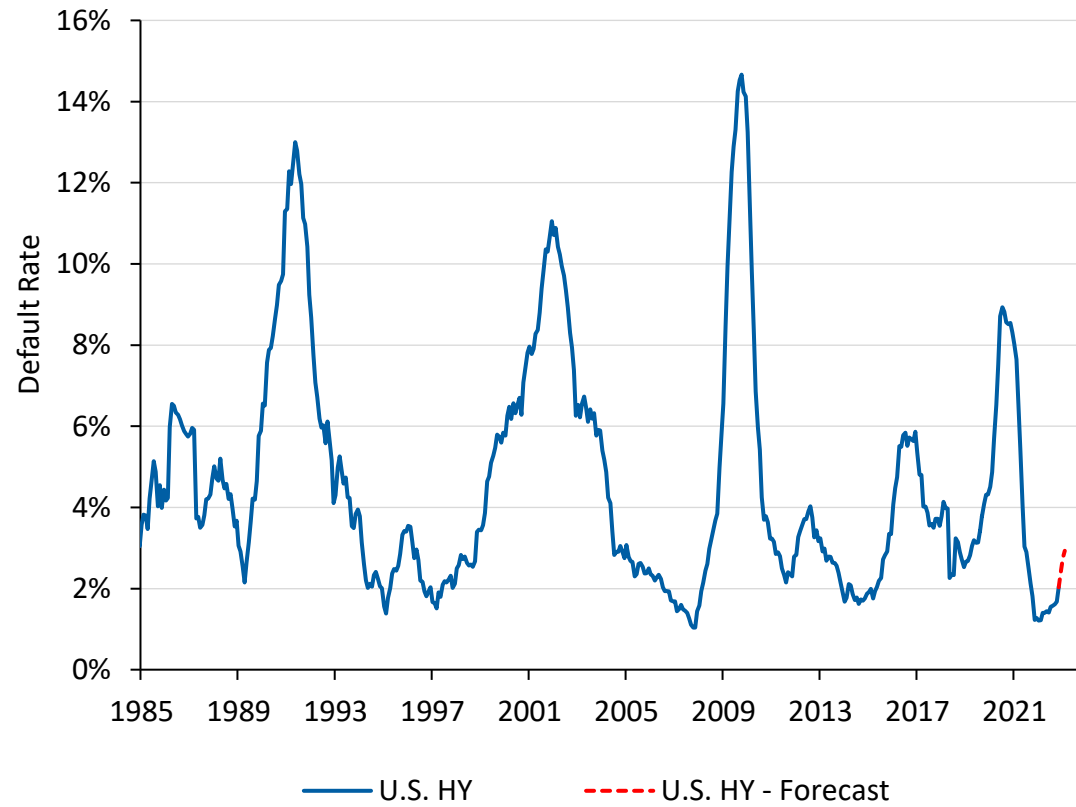
Low leverage and healthy fundamentals entering 2023

Gross and net leverage from BofA Research



Defaults rates may increase modestly, but remain relatively muted

Moody's trailing 12-month US high yield issuer-weighted defaults



Source: Left hand chart is from BofA as at 31 December 2022. Right hand charts are from Moody's and JP Morgan as at 30 and 4 November 2022.

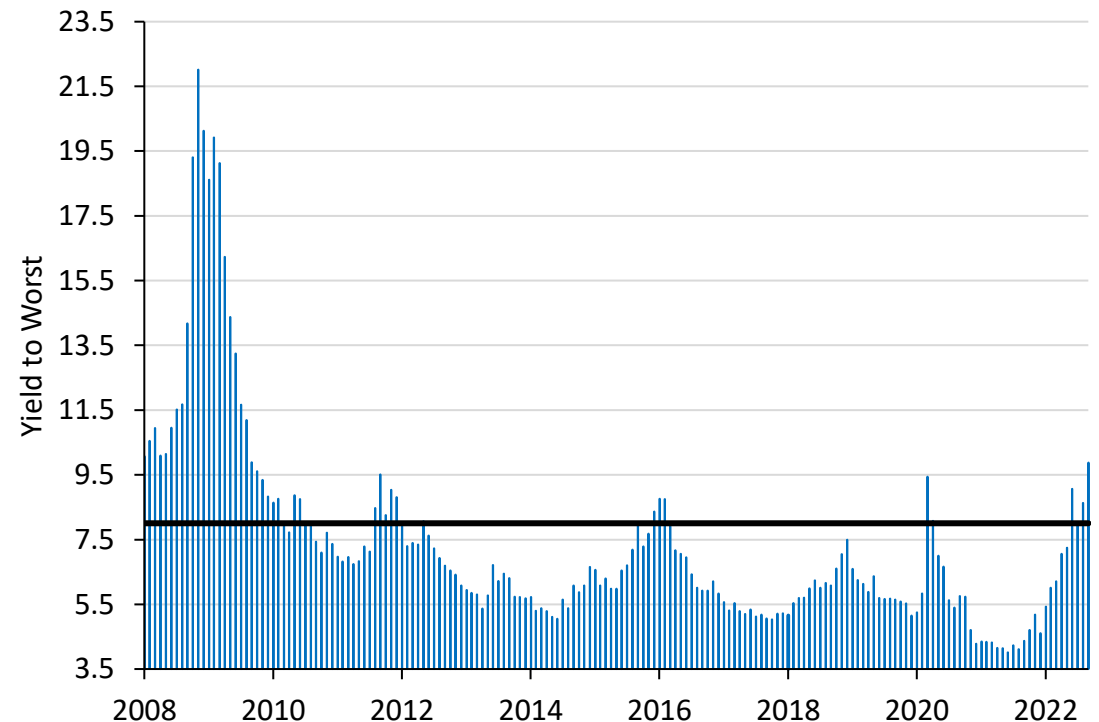
High Yield - attractive long-term valuations

Yields above 8% have been relatively rare and present attractive long-term total return potential

High starting yields present above-average long term total return potential

- Yields above 8% have been relatively rare in recent history
- Since 2008, buyers at entry points above 8% earned above-average subsequent annualized returns:
 - One-year: 19.92% p.a
 - Three-year: 14.10% p.a
 - Five-year: 11.80% p.a

ICE BofA Global High Yield Index - Yield to Worst



Source: Aegon AM and Bloomberg. Based on monthly ICE BofA Global High Yield (HW00) index data from 1 January 2008 – 31 December 2022. One-, three-, and five-year returns based on the forward annualized index return for months where the starting yield to worst was above 8%. Based on month-end data from January 2008 – December 2022.

Investment grade – sweet spot for credit risk

Investment grade credit – income and capital opportunity

Global Corporate Bond yields at elevated levels



Embedded Value from Pull to Par

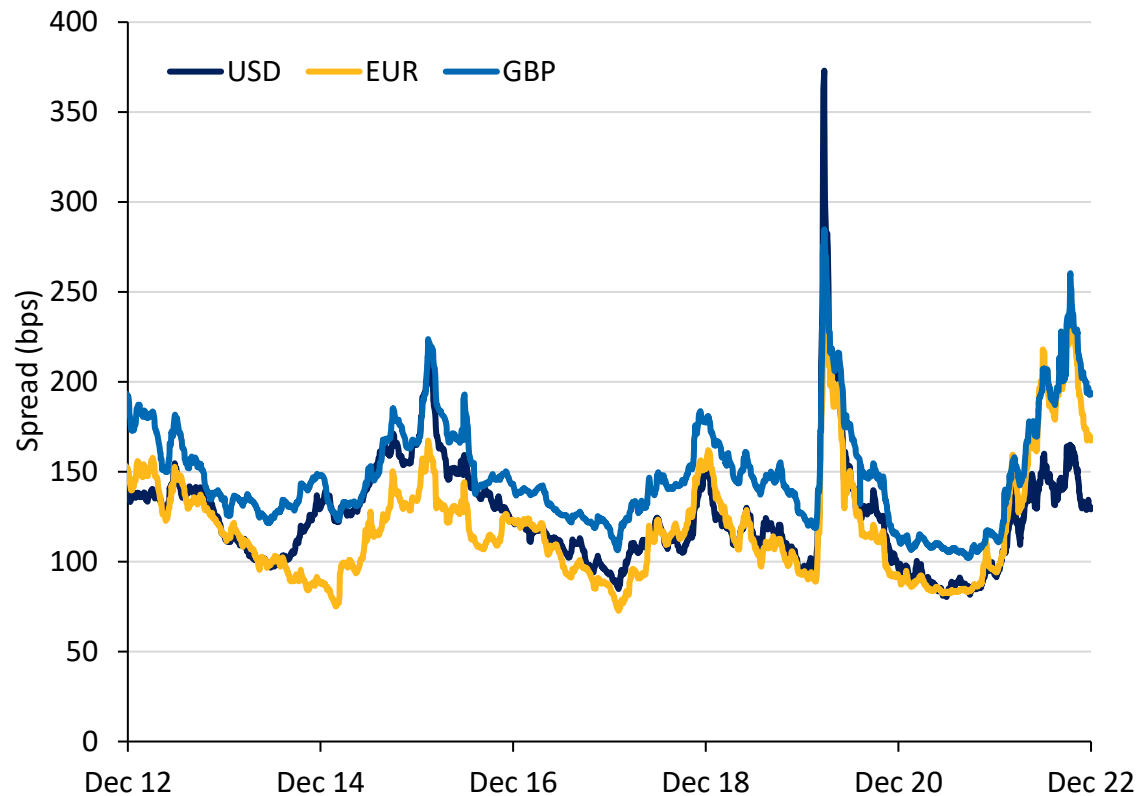


Sources: Barclays Live as at 7 February 2023.

Investment grade – sweet spot for credit risk

Investment grade credit spreads attractive on multi-year basis

Global investment grade corporate bond spreads



- Valuations compelling – especially risk-adjusted
- Rate hiking cycle nearing its end
- Falling Inflation backdrop
- Growth outlook less pessimistic
- Spread and duration risk attractive

Aegon Strategic Global Bond Fund

The benefits of an unconstrained approach

Aegon Strategic Global Bond - a differentiated approach



Active, dynamic and high conviction exposure to the fixed income universe



Multiple sources of alpha and targeted market beta



Aim for consistent delivery of superior risk-adjusted returns



**A dynamic blend of the Fixed Income universe
designed to deliver superior risk adjusted returns through the cycle**

Aegon Strategic Global Bond - Opportunity set

Flexible Fixed Income strategy with clear remit

Core investments	
Government Bonds	0 – 100%
Investment Grade Corporate Bonds	0 – 100%
High Yield Bonds	0 – 40% (combined limit)

Opportunistic	
Emerging Market Bonds	0 – 40% (combined limit)
Asset Backed Securities	0 – 40% (combined limit)

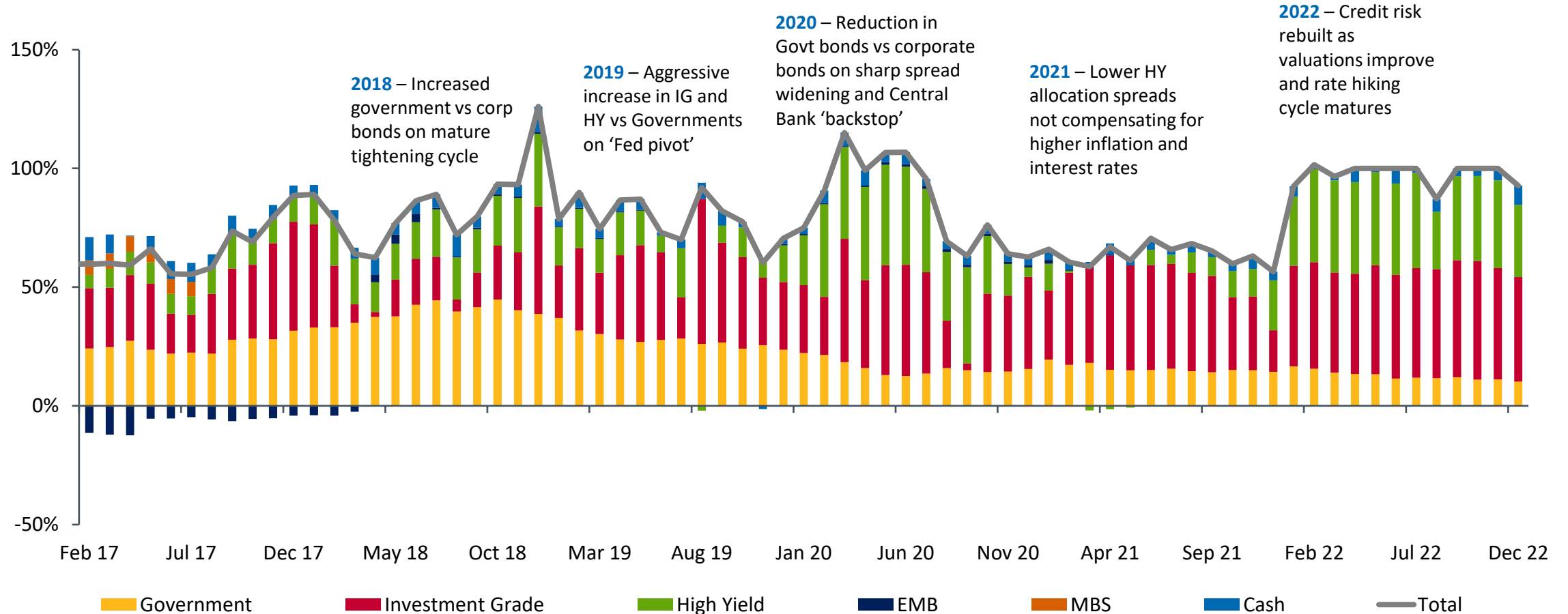
Derivatives
Interest Rate futures
Credit Derivatives

- Liquid, listed assets only
- Genuine bond only portfolio (no FX, equity, private placements)
- Flexible interest rate risk (0-10 years)
- Fully hedged to base currency

Asset allocation – actively managed through the cycle

Historical asset allocation breakdown

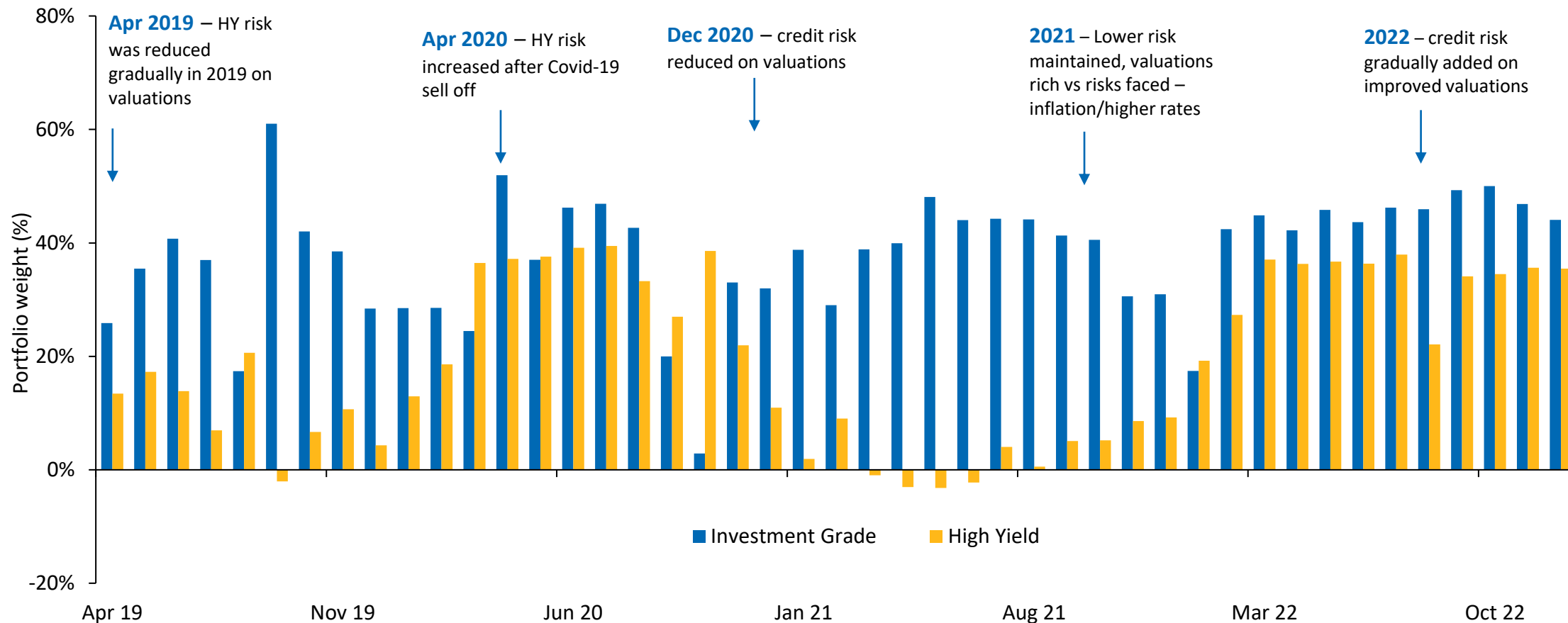
- Construction of near term expected returns per asset class
- Portfolio Managers designate an optimal asset class risk budget relative to risk/return expectations



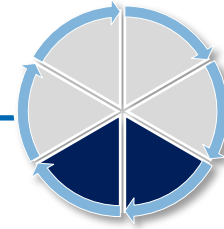
Credit risk – dynamic response to changing environments

Historical credit exposure breakdown

Investment Grade vs High Yield – net exposure



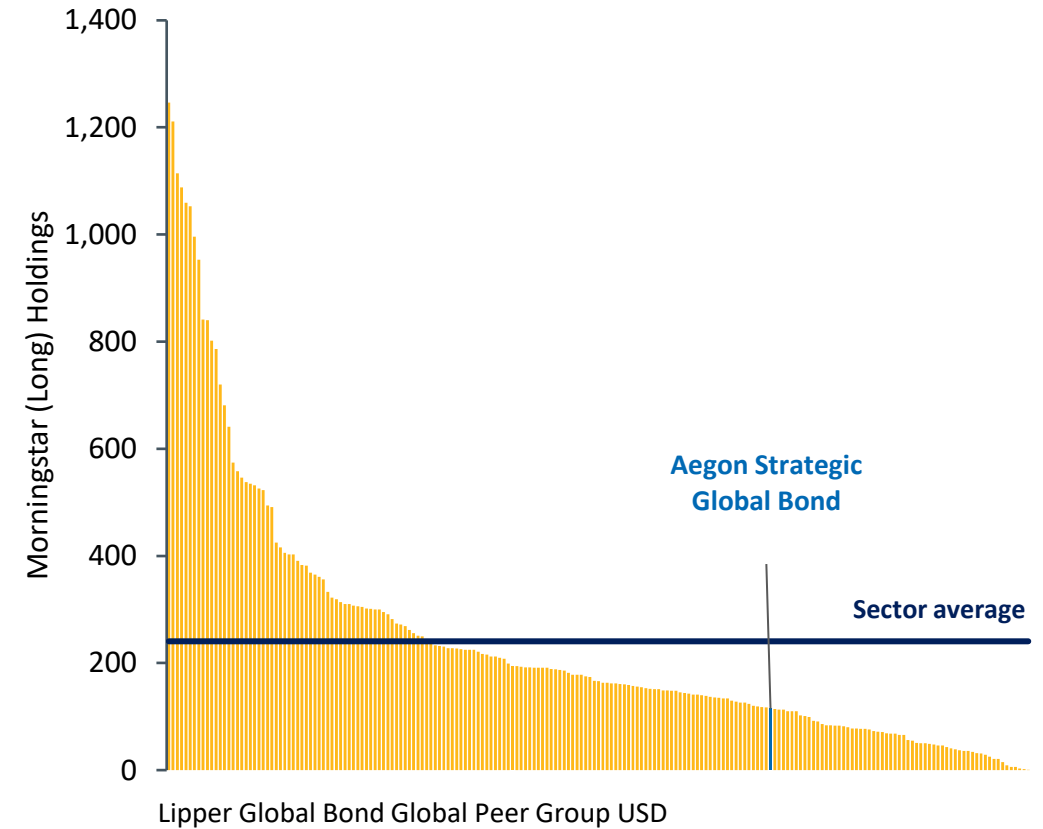
Portfolio construction – Sector and security selection



Heavy emphasis on bottom-up stock selection

- Credit research and Sector specialists
- Deep in-house credit research capability
- Regular and Ad Hoc research production and financial modelling
- Industry and thematic sector research reports
- Portfolio Managers
- Relative value and technical views contribution
- Cross currency and yield curve positioning inputs

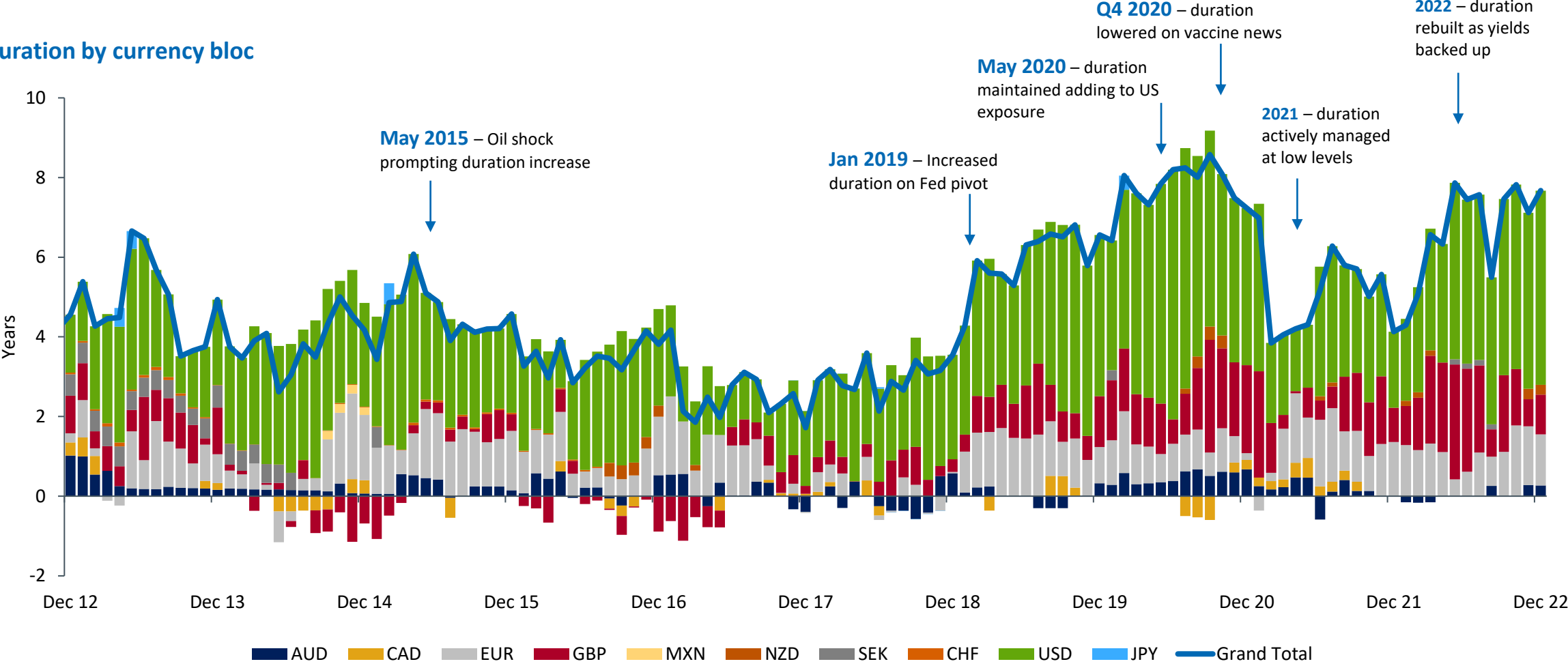
High conviction portfolio implementation



Duration risk – flexibility is crucial

Historical duration exposure

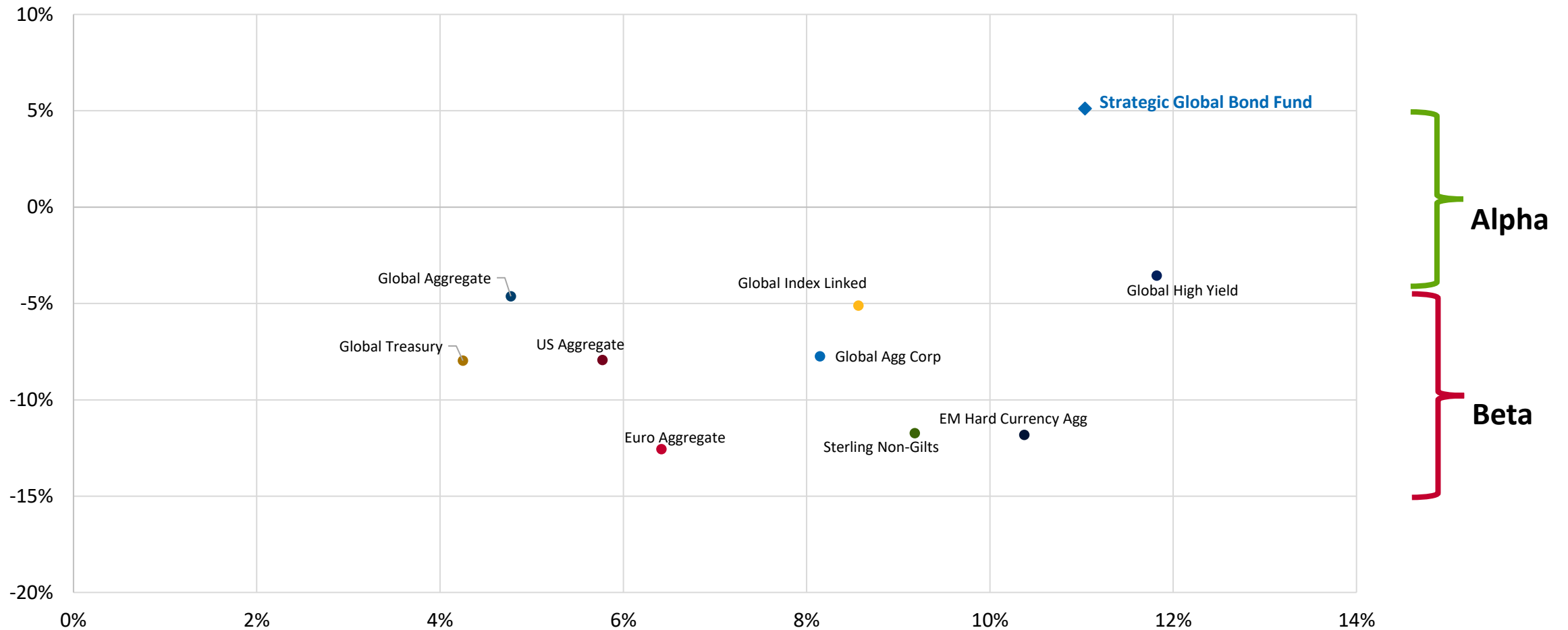
Duration by currency bloc



3-year risk return profile – Aegon Strategic Global Bond Fund

Past performance does not predict future returns

3-year risk return profile – Aegon Strategic Global Bond Fund



Source: Aegon AM, Barclays Live, as at 31 December 2022. 3 year cumulative total returns are hedged in USD, gross of fees.

The opportunity in 2023

Our positioning entering 2023



Asset allocation

- Preference for corporate bonds over government bonds
- Investment grade favoured on a risk adjusted basis



Duration positioning

- Overweight duration
- Favour US and UK interest rate risk over Europe and Japan
- Tactical long positions in Australia and New Zealand



Sector selection

- Preference for investment grade European financials versus non-financials



Credit risk allocation

- Titled towards higher quality in IG and HY
- Looking for opportunities in emerging market debt



Yield curve positioning

- Preference for shorter dated bonds
- Expecting steeper yield curves in US and UK



Security selection

- Continuation of careful security selection looking for companies with strong balance sheets in a recessionary environment

Why Aegon Strategic Global Bond?

Past performance does not predict future returns

**Differentiated
investment
proposition**



- Globally diversified, high conviction portfolio
- Levering multiple alpha sources and targeted beta
- Managing to the full flexibilities of the portfolio

**Breadth and depth
of global fixed
income resources**



- 151 professionals across credit, rates, structured and distressed debt
- Integrated centres in UK, US and Europe optimises coverage of global universe
- Portfolio managers and analysts collaborate to build focused portfolio

**Proven track record
of risk adjusted
returns**



- Consistent delivery of strong risk adjusted returns vs index and peers
- Strategy track record of over 14 years
- Unwavering focus on risk management

Important information

Investment policy

The Fund invests at least two thirds in a wide range of investment grade (lower risk) bonds and high yield (higher risk) bonds issued by companies and governments worldwide. The Fund may also invest in cash, deposits and money market instruments (a form of debt security). The Fund is actively managed.

The Fund may invest in emerging markets. In investment terms, this means those economies that are still developing. 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 financial contracts whose value is linked to an underlying asset) 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.

The main risks of the fund are:

The following risks are relevant to the Fund: **Credit:** An issuer of bonds may be unable to make payments due to the Fund (known as a default). The value of bonds may fall as default becomes more likely. Both default and expected default may cause the Fund's value to fall. High yield bonds generally offer higher returns because of their higher default risk and investment grade bonds generally offer lower returns because of their lower default risk. **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. This risk increases where the Fund invests in high yield bonds.

Important information

For Professional Investors only and not to be distributed to or relied upon by retail clients.

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Past performance does not predict future returns. Outcomes, including the payment of income, are not guaranteed.

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