This is a marketing communication

Aegon European ABS Fund I EUR

Factsheet as of 30 September 2022

Fund objective

The Fund primarily invests direct or indirect in asset-backed securities listed in euros or converted to euros, distributed over different issuers, collaterals, sectors and countries. The Fund invests primarily in RMBS (Residential Mortgage Backed Securities), CMBS (Commercial Mortgage Backed Securities), Consumer Loans, Car Loans, Credit Card loans, Whole Business (repackaging of companies / company divisions) and other assetbacked securities. The investment process is focused on the addition of value by means of an active selection policy for issuers, collaterals, sectors and countries.

Key facts

Fund launch	11 November 2016
Share class launch	25 November 2016
Sector	Fixed Income
Investor type	Institutional
Dividend	No
Structure	Open End
Listed	No
Fund structure	UCITS
ISIN	IE00BZ005F46
Fund base currency	EUR
Total Fund size	5,266,072,644
Share class currency	EUR
Share class size	1,572,458,714
Price[1]	10.28
Participations	153,001,983
Securities lending[2]	
Revenue	0.00 bps
Assets lent	0.00 %

Costs[3]

Management fee	0.25 %
Service fee	0.06 %
OCF	0.29 %
Entry fee	0.25 %
Exit fee	0.25 %

The service fee is inversely scaled related to the fund size. The maximum applicable service fee is presented.

Aegon Asset Management applies partial ADL (Anti-Dilution Levy) which implies that the NAV of a fund is adjusted with the exit or entry fee only if the net cash flow exceeds a pre-determined limit.

The cost of investing will impact your investment. The return will be reduced by the fees and expenses that may be incurred in managing the investment. Fees may have a compounding effect.

Performance

Past performance does not predict future returns.

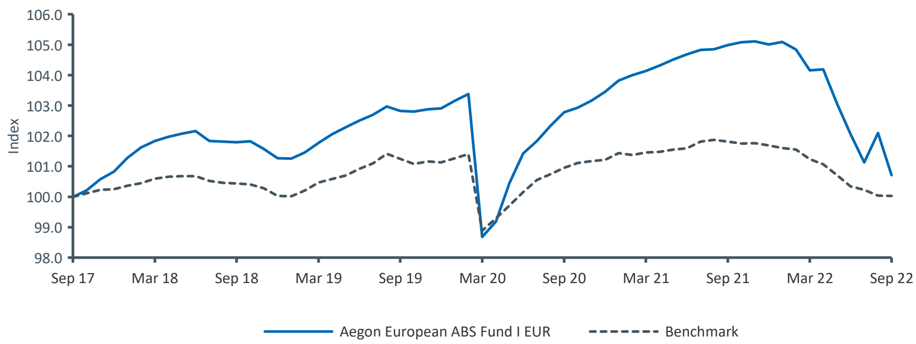
Performance[4]

	1m	3m	Ytd	3y	5y	SI
Fund Gross return (%)	-1.36	-1.33	-4.09	-0.69	0.14	3.58
Fund Net return (%)	-1.38	-1.39	-4.27	-0.94	-0.11	3.33
Benchmark (%)	-0.01	-0.31	-1.63	-0.40	0.00	1.84
Tracking error ex post (%)	-	-	-	1.93	1.51	1.70
Information ratio	-	-	-	-0.28	-0.07	0.86

Benchmark

Bloomberg Barclays Capital Euro ABS Fixed and Floating Index

Cumulative performance



The cumulative performance is based on total return data excluding management, service and entry or exit fees.

[1] Look for information on the current price at www.aegonam.com
[2] Securities lending contributes to the performance of the Fund. The Fund receives 72% of the total proceeds from securities lending. The costs for providing and conducting the securities lending program are charged by Aegon Asset Management and partners and are already deducted from these proceeds. These proceeds are an estimation. The exact amount is known three weeks after month end.
[3] Source: Aegon Asset Management. Ongoing charges based on actual expenses over the year 2021.
[4] The results reported before the launch date of the fund are simulated results. This reflects the results of another comparable Aegon Fund. Annualized (for periods longer than one year).

Discrete annual performance

Past performance does not predict future returns.

12 months to	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13
Fund Gross return (%)	-4.07	2.14	-0.04	1.01	1.80	4.22	3.40	0.04	16.36	10.53
Fund Net return (%)	-4.31	1.89	-0.29	0.75	1.54	3.96	3.14	-0.21	16.07	10.25
Benchmark (%)	-1.75	0.85	-0.29	0.81	0.43	1.41	2.20	-0.34	7.65	6.06
Tracking error ex post (%)	2.21	0.36	2.48	0.25	0.47	0.81	2.17	0.97	1.98	2.02
Information ratio	-1.18	2.83	0.00	-0.21	2.37	3.12	0.43	0.14	3.95	1.95

Sector allocation (%)

RMBS	46.8
CLO	23.3
ABS	22.4
CMBS	7.0
Cash	0.5

Currency allocation (%)

	Pre hedge	Post hedge
EUR	69.1	99.1
GBP	30.9	0.9
Total	**100.0**	**100.0**

Rating allocation (%)

AAA	47.0
AA	15.1
A	16.0
BBB	21.2
BB	0.2
Cash	0.5

Maturity breakdown (%)

0 - 1 year	9.5
1 - 3 years	43.3
3 - 5 years	27.5
5 - 7 years	8.2
7 - 10 years	10.9
Cash	0.5

Top 10 holdings (%)

SLMA 2004-5X A6	3.4
SLM STUDENT LOAN	1.8
FSQ 2021-1GRX AGRN	1.6
BUMP 2021-BE1 A	1.3
FNGAL 1 A	1.2
SLMA 2004-10X A8	1.1
TWIN 2021-2 A	1.0
TAGST 2009-ENGY A1	1.0
FSQ 2021-2X A	0.9
HLFCT 2021-G A	0.9

Country allocation (%)

United Kingdom	32.2
Mixed	25.0
Netherlands	12.8
Spain	7.9
United States	6.4
Ireland	4.0
France	3.2
Italy	2.0
Other	6.0
Cash	0.5

Return and Risk Commentary

The third quarter of 2022 has proven to be even more challenging as the first half of the year. Due to continuation of inflationary pressures and an increased probability of a recession, the quarter started with high volatility and a risk off stance. In addition, there are no signs of a de-escalation in the Russia-Ukraine war. In the middle of the quarter, ABS markets eased due to a buoyant primary market alongisde strong demand. However, the quarter ended much more pessimistic than it started. The announcement of the mini-budget by the UK government was met with markets expecting increased inflationary pressures and as a result, UK Gilt yields widened out massively. This move affected the European ABS markets directly due to the fact that UK pension funds have invested in European ABS and due to collateral calls, they had to sell their assets to cover the collateral needed for their derivative positions. The technical turned negative due to this oversupply and the widening of spreads across all sectors. However, there has been a divergence across sectors, with CLOs and UK RMBS widening out more than other sectors. Furthermore, investors, consumers and companies are still digesting the consequences of accelerating inflation, tightening of monetary policies across the globe, and slowing growth. This quarter again ended with losses across almost all asset categories including equities, credit, and sovereign bonds.

With market sentiment in the market whipsawing – European ABS markets were volatile. The positive sentiment has been rather short-lived due to the economic situation in the UK. In anticipation of attractive supply (which was postponed prior to the summer), further disinvestments over the quarter have been done in anticipation of continued increased levels of volatility. Notwithstanding the negative technical in the ABS market now, there have certainly been opportunities to invest and reposition the portfolio over the quarter. We added mostly non-senior bonds across various countries, but overall, our non-senior investments outweighed senior additions. The spread duration increased, but the weighted average rating remained the same at AA-/A+. Over the quarter our holdings of AAA-rated bonds decreased, while AA-, A and BBB-rated bonds and cash increased. We have mainly added to our Spanish and ABS exposure, while our CLO and RMBS exposure decreased and our exposure to non-senior bonds increased. The yield-to-maturity of the fund is currently 6% after increasing due to repositioning, spread widening, and the move in swap rates over the period.

Uncertainties that affect returns in broader markets also apply to European ABS in addition to the UK pension fund liquidity issue. However, if this has been resolved - and currently we do see a more stable UK Gilt yield - the other issues still remain: all eyes are on the central banks, and the geopolitical tensions from the ongoing war between Russia and Ukraine. Meanwhile, with recessionary fears mounting and the sticky inflation numbers, central banks are in a difficult spot. Probability of policy errors are increasing and relevant, with the ever higher likelihood of stagflation.

Due to spread widening and repositioning, the carry of our European ABS fund is high, and coupled with low interest rate duration, seems to be one of the few sectors that can withstand an environment of rising rates and credit spread widening. As carry provides protection in case of credit spread widening, a floating rate coupon limits the negative returns due to interest rates increases. As European ABS valuations look even more compelling now across credit markets, it ticks the higher carry box. In addition, due to the sectors' low interest rate volatility, it will not deplete its capital base once rates continue to increase.

The fundamental outlook for the consumer - while still positive as of today due to the high savings rate and strong government support - is neutral to negative. Specifically, if inflation continues to increase and energy prices continue to rise, it will have its effect on household finance, and as a result, it will diminish disposable income. We therefore expect delinquencies to increase. However, even with a pick-up in delinquencies, ABS structures can withstand substantial stress scenarios and payment disruptions through structural elements like (liquidity) reserve funds, excess spread, cashflow diversion triggers and subordination, which have almost all increased in newly issued ABS. As such, we have no immediate concerns regarding ABS fundamentals.

With no concerns on ABS fundamentals, we see value in non-senior ABS compared to senior ABS. Overall, European ABS valuations look very compelling across credit markets. Floating rate assets with high carry, like European ABS, are set to outperform other fixed income sectors and will provide downside protection when volatility in rates and credit spreads ensues.