This is a marketing communication

Aegon European ABS Fund I GBP Hdg Inc

Factsheet as of 30 September 2024

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	17 December 2018
Sector	Fixed Income
Investor type	Institutional
Dividend	Quarterly
Structure	Open End
Listed	No
Fund structure	UCITS
ISIN	IE00BGSNDD61
SFDR classification	Article 8
Fund base currency	EUR
Total Fund size	6,873,382,112
Share class currency	GBP
Share class size	1,499,957,862
Price[1]	10.35
Participations	144,964,775
Securities lending[2]	
Revenue	0.00 bps
Assets lent	0.00 %
Gross leverage	132.15 %
Leverage commitment	2.67 %

Costs[3]

Management fee	0.28 %
Service fee	0.06 %
OCF	0.33 %
Entry fee	0.10 %
Exit fee	0.10 %

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.

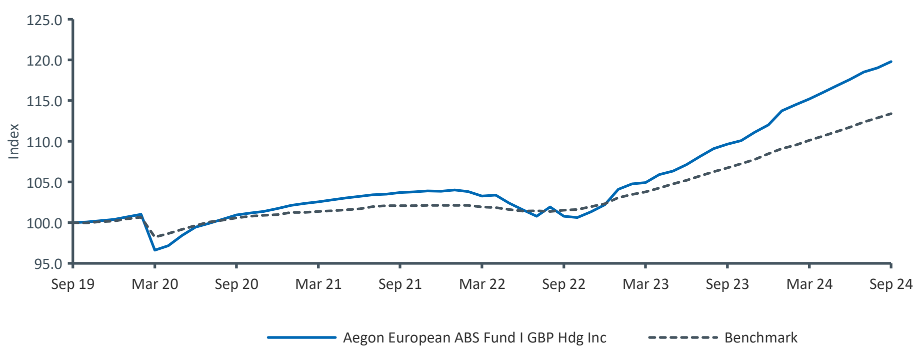
Performance

	1m	3m	Ytd	3y	5y	SI
Fund Gross return (%)	0.64	1.84	6.94	4.94	3.70	3.61
Fund Net return (%)	0.62	1.77	6.72	4.64	3.41	3.32
Benchmark (%)	0.45	1.48	4.54	3.57	2.55	2.55
Tracking error ex post (%)	-	-	-	1.67	1.65	1.53
Information ratio	-	-	-	0.62	0.51	0.49

Benchmark

Bloomberg Barclays Capital Euro ABS Fixed and Floating Index (Hedged to GBP)

Cumulative performance



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

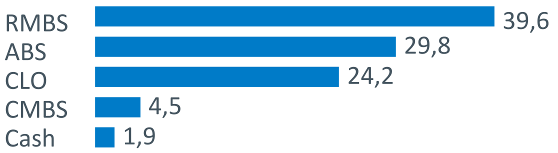
[1] Look for information on the current price at www.aegonam.com
[2] Securities lending contributes to the performance of the Fund. The Fund receives 72% of the total proceeds from securities lending. The costs for providing and conducting the securities lending program are charged by Aegon Asset Management 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 2023.

Discrete annual performance

Past performance does not predict future returns.

12 months to	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15
Fund Gross return (%)	9.25	8.81	-2.79	2.74	0.93	-	-	-	-	-
Fund Net return (%)	8.94	8.51	-3.06	2.48	0.68	-	-	-	-	-
Benchmark (%)	6.22	5.14	-0.53	1.48	0.58	-	-	-	-	-
Tracking error ex post (%)	0.90	1.24	2.18	0.35	2.34	-	-	-	-	-
Information ratio	2.84	2.57	-1.17	2.80	0.04	-	-	-	-	-

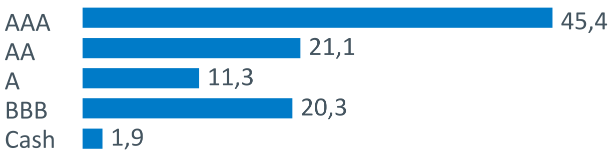
Sector allocation (%)



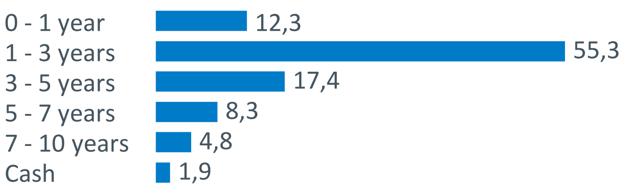
Currency allocation (%)

	Pre hedge	Post hedge
GBP	29.8	101.7
EUR	70.2	-1.8
Total	**100.0**	**100.0**

Rating allocation (%)



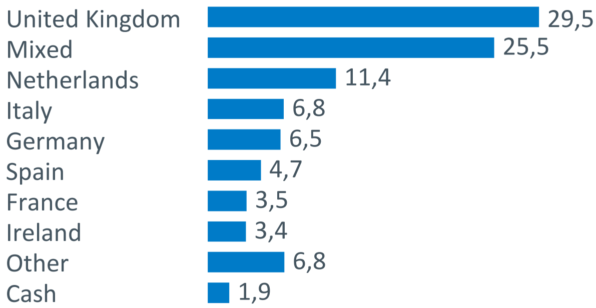
Maturity breakdown (%)



Top 10 holdings (%)

SLMA 2004-5X A6	1.7
GLION 2024-1 A	1.4
VERSE 8 SEN	1.2
JUPIT 1X BR	1.1
SLMA 2004-10X A8	1.0
VCL 41 A	1.0
BUMP 2024-NL1 A	0.9
SCGC 2023-1 A	0.8
PLRS 2024-1 A	0.8
SLM STUDENT LOAN	0.8

Country allocation (%)



Return and Risk Commentary

The third quarter of 2024 again proved to be very strong for European ABS markets. The quarter started with the market expecting around four rate cuts until the end of the year, of which one rate cut was announced in September. The market is pricing in two additional rate cuts for the remainder of the year. As the majority of central banks across the globe have commenced cutting rates, it seems that concerns around high inflation have receded and that growth risks are increasingly in focus. Currently, as inflation risks subside, the sensitivity of interest rates is shifting, with growth becoming increasingly important. In Europe, recent PMIs surprised to the upside, but while the periphery continues to be an area of economic strength, German data remains lackluster. The dispersion across countries on activity, labor markets and prices makes it hard to have strong views on the business cycle and the pace of disinflation and the growth trajectory. However, the ECB's strong focus on spot inflation developments will remain an obstacle to pricing a deeper cutting cycle. Indeed, the ECB's recent communication has been non-committal, with some members of the Governing Council (GC) increasingly confident on the extent and pace of disinflation while others remain hesitant and concerned about upside risks.

US economic strength contrasts with the weakness in Europe. The weakness of US nonfarm payrolls during the summer seems something of the distant past, as labor demand now is carrying considerably more strength. The most recent release reinforces the conviction that the US economy remains very resilient and the fear of a recession seemed to be premature. After the 50 bps rate cut by the Fed, markets are pricing in a more gradual Fed cutting cycle which seems to be in line with recent communications, where Fed chair Powell repeatedly made the case that the FOMC is in no hurry to cut rates. US terminal rates are now expected to get closer to 3.45% versus 2.8% mid-September.

After being rattled by an escalation of Middle East tensions following Iran's military strikes on Israel at the end of the quarter, financial markets remain very nervous as we enter the final quarter of 2024. The US and Europe jobs reports helped temporarily distract from geopolitics, but volatility remains due to the constant changing and diverging expectations on central banks actions. With geopolitical tensions intensifying and the US elections around the corner, there is quite some uncertainty. Furthermore, while the market is looking for more stimulus measures from China, boosting demand, a negative supply shock due to a further escalation of the tensions in the Middle East, higher (import) tariffs, and other import restrictions, would disrupt the disinflation trend, resulting in central banks not delivering on the significant easing priced in by markets.

Amidst this volatile environment, European ABS markets performed strongly, as spreads continued to tighten across all European ABS sectors, further triggering conditions in which primary issuance continued to be plentiful. Overall, primary issuance amounted to around €35 billion in the third quarter of 2024, bringing year-to-date issuance to €111 billion, an increase of 65% compared to the same period last year. Spreads initially tightened during the quarter before moving to approximately the same level as where they started.

Over the quarter we have continued to reduce risk in the portfolio as spreads tightened and the credit curve flattened. As such, we have repositioned the portfolio more towards the higher part of the capital structure. While credit curves have flattened, there still is value to be found in non-senior bonds. Overall, we have increased our AA allocation while our A- and BBB-rated exposure decreased. However, our weighted average rating stayed the same at AA-/A+. The spread duration is still slightly below three years, and the weighted average spread decreased due to reallocation and spread tightening. The yield-to-maturity declined, due to tightening in spreads and the decrease in interest rates. In terms of countries and collateral, we have added to our Italian, Spanish and Mixed exposure, while our UK, Irish, US, Dutch, French and Finish exposure decreased. Furthermore, our allocation to CLO and ABS increased, while our exposure to RMBS and CMBS declined.

We expect modest collateral performance deterioration in 2024 as affordability remains challenging in a higher rate environment. ABS performance is inherently linked to the financial health of consumers. So far, the consumer has proven to be quite resilient, given the rapid adjustment in interest rates coupled with high inflation. A combination of excess savings, healthy wage growth, a change in spending habits, and stability in unemployment rates have helped borrowers manage higher debt repayment burdens and mitigate decelerating growth. Furthermore, the full recourse nature of consumer lending prevents borrowers from defaulting voluntarily.

The key driver for ABS collateral performance is the evolution of the unemployment rate, but with the view of limited loosening of labor markets, ABS performance should continue to be robust. However, any change in the outlook for labor markets could change this view. Potential losses on bonds, on the other hand, can be absorbed by structural features such as excess spread and reserve funds, alongside asset price increases we have seen across Europe.

Although spreads tightened, European ABS still stand out from a valuation perspective especially due to the high carry value, protecting investors in case sentiment turns bearish again. Low interest rate duration provides stable returns in the current uncertain interest rate environment. Even with flatter credit curves, non-senior tranches provide compelling opportunities to earn additional income, but we have become more selective as in some deals the risk-reward ratio is limited, especially now that the curve has flattened. The uncertain outlook for the European economy and the way central banks act will likely lead to periods of weakness in the markets going forward as concerns about inflation, the growth prospect of the eurozone economy and the impact of higher interest rates remain.