AEGON Befektetési Alapkezelő

Monthly Outlook / Model Portfolio

Banknote presses kept busy

It seems that politicians and central bankers returning from their summer holidays are taking care to ensure that investors won't get bored in the autumn. Very significant steps have been taken recently in three regions to stimulate the economy through monetary easing or economic development measures. While central banks have tended to take the lead role in the eurozone and the US, in China it is the government that has seized the initiative – as is its custom.

Below we examine the most important developments on the international and domestic market in the recent past.

- In the past month the markets, following an initial rise, have remained broadly flat in line with the March highs; however, the global macroeconomic picture continues to indicate a slowdown.
- The prices of precious metals have significantly risen over the month. Due to North Sea production remaining unresolved, the price of Brent crude has undergone a sharp re-correction; however, natural resources-related stocks have not followed this correction.
- On 22 August, Russia joined the World Trade Organization (WTO). According to an estimate of the World Bank, the Russian economy could achieve 11% higher GDP as a result of joining. Although the short-term effect of the accession may be modest, the news merits an extremely positive assessment in the medium and long term.
- The Hungarian central bank cut its base interest rate at the end of the month. The move by the MNB, though better received by analysts than by the market, still came as a surprise.
- China is attempting to avert an economic slowdown through highly significant state infrastructural investments, which according to IMF estimates will help ensure continued GDP growth of 7.5-8%. The Chinese development programme – the total value of which is more than USD 150 billion – targets the building of metro lines and motorways, as well as additional power stations.
- The European Central Bank has announced that, in keeping with earlier leaked reports, it will begin purchases of government securities of less than 3 years' maturity on the secondary bond markets of peripheral countries, without a preannounced limit. The ECB sterilizes the money entering its portfolio, meaning it withdraws these quantities of money from the market.
- The Federal Reserve's monetary expansion is continuing, which essentially involves its buying up of "toxic" assets from the banks' balance sheets (USD 40 billion/month in mortgage bonds), and it will maintain the base rate at a declared record low level until mid-2015.

Thoughts on the composition of the model portfolio

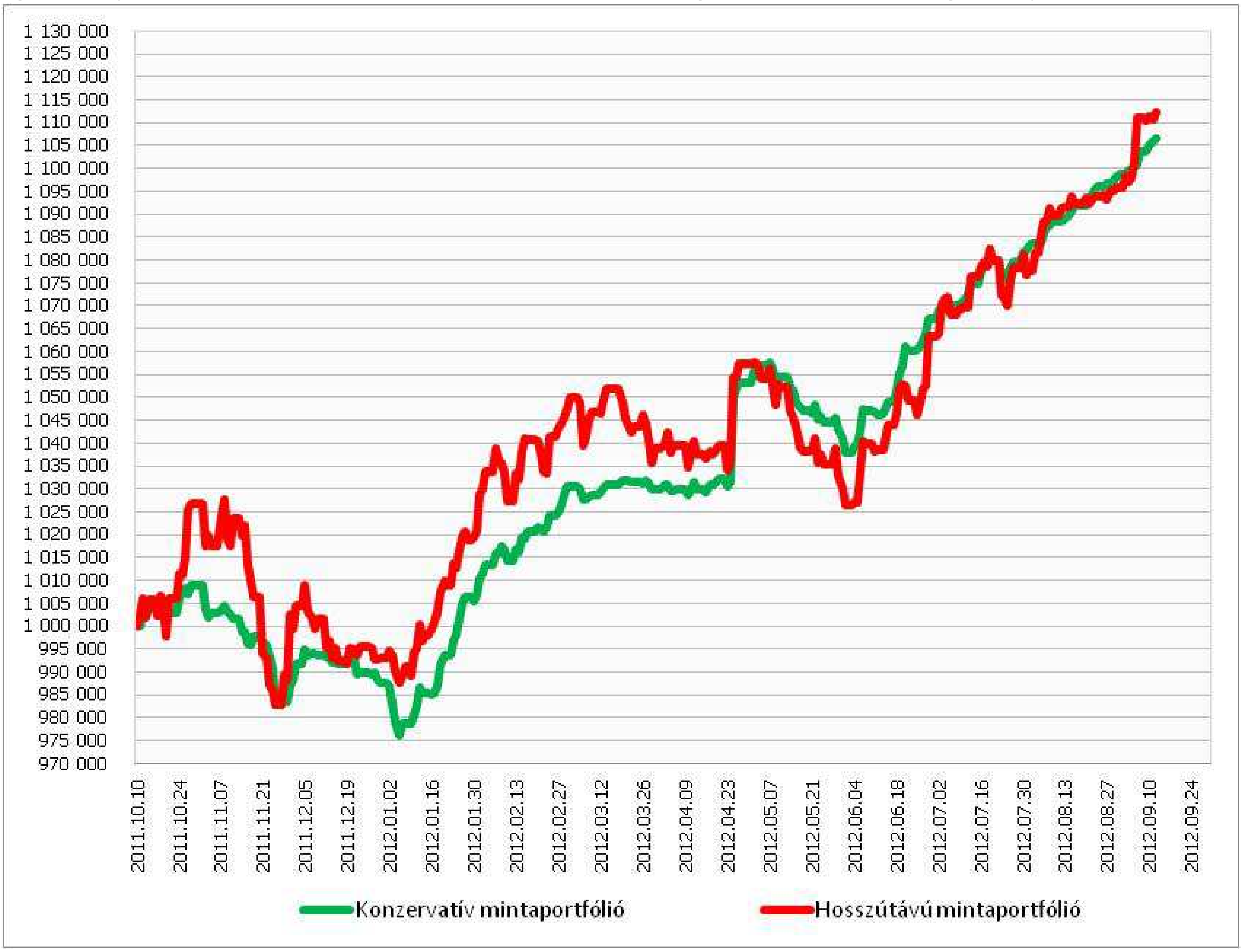
What conclusions can be drawn from the above developments as they affect our model portfolio? For one thing, the dumping of "free money" on the market increases longer-term inflationary expectations, and for another, it shores up and even increases prices on the raw materials market. Another consequence of measures by central banks and governments is that in the short term the signs of overbuying may appear on the bourses of the developed markets.

AEGON Fund Management is among those who believe that it is possible to get into equities in the developing markets (e.g. in Asia) at relatively good price levels right now, and that in the long term it's better to build up positions in such stocks than, for example, in equities traded on the bourses of developed countries.

We have made only minimal changes, given our conviction that dynamically managed funds with absolute yields, as well as an exposure to Russian and Asian equities, remains justified in investment portfolios.

It is precisely for this reason that we have not touched the conservative portfolio at all, while maintaining capital invested in equities at a lower level. Our Money Market Fund (comprising short-term government securities and discount Treasury bills) has retained its 15% weight in the portfolio, since, besides being low risk, it is able to ensure an adequate yield even after further interest rate cuts.

Based on the arguments mentioned in the introduction, our risk-taking investors would do well to invest in raw materials-related markets or equities, particularly in the longer term. Although the Russian market has increased significantly over recent months, we can still find investment targets with considerable growth potential.



Conservative model portfolio Long-term model portfolio

Source: AEGON Hungary Investment Fund Management Zrt.

Composition of the current model portfolios:

Conservative model portfolio*

- Value on 12 September 2012: HUF 1,106,535
- Starting value on 10 October 2011: HUF 1,000,000

In determining the value of the model portfolio we did not take into account the transaction costs of reallocation!

	New weight	*Previous weight*
AEGON Domestic Bond Investment Fund	5%	5%
AEGON Central European Corporate Bond Investment Fund	25%	25%
AEGON MoneyMaxx Expressz Mixed Investment Fund	25%	25%
AEGON Money Market Investment Fund	15%	15%
AEGON Atticus Alfa Derivative Investment Fund	15%	15%
AEGON Ózon Capital Protected Derivative Fund	15%	15%
	100%	

* Detailed information regarding the investment policy and costs of the AEGON Funds, and the potential risks of the investment, is contained in the official prospectus available at the Fund's distribution venues and on our website.

Long-term model portfolio*

- Value on 12 September 2012: HUF 1,112,186
- Starting value on 10 October 2011: HUF 1,000,000

In determining the value of the model portfolio we did not take into account the transaction costs of reallocation!

	New weight	*Previous weight*
AEGON Central European Corporate Bond Investment Fund	15%	15%
AEGON Domestic Bond Investment Fund	20%	20%
AEGON MoneyMaxx Expressz Mixed Investment Fund	25%	25%
AEGON International Equity Investment Fund	0%	5%
AEGON Asia Equity Investment Fund of Funds	5%	0%
AEGON Atticus Alfa Derivative Investment Fund	25%	25%
AEGON Russia Equity Investment Fund	10%	10%
	100%	

***** Detailed information regarding the investment policy and costs of the AEGON Funds, and the potential risks of the investment, is contained in the official prospectus available at the Fund's distribution venues and on our website.

Prepared and compiled by AEGON Hungary Investment Fund Management Zrt.
Péter Tuli – senior product manager
Supervisory body: Hungarian Financial Supervisory Authority
All information contained in this document is intended for information purposes only. Historical returns are no guarantee of future yields. AEGON Hungary Fund Management Co. / AAM CEE accepts no responsibility for any investment decisions made on the basis of this publication and for the consequences of such decisions, nor for any possible shortcomings or inaccuracies in the data in this document.