

Aegon Polish Money Market Fund institutional series

GENERAL INFORMATION

Fund Manager:	AEGON Hungary Fund Manager Ltd.
Custodian:	Unicredit Bank Hungary Zrt.
Main distributor:	AEGON Hungary Fund Manager Ltd.
Benchmark composition:	100% WBID 1M Index
ISIN code:	HU0000711619
Start:	10/26/2012
Currency:	PLN
Total Net Asset Value of the whole Fund:	30,062,340 PLN
Net Asset Value of institutional series:	305,845 PLN
Net Asset Value per unit:	1.080995 PLN

INVESTMENT POLICY OF THE FUND:

The Fund's goal is to offer a stable and predictable yield at a low risk level for the investors. According to this the fund is only allowed to hold fixed income securities, which were primarily issued or guaranteed by Poland. To a limited extent it is allowed to buy bonds issued by the European Union (and its institutions), the European Central Bank, or the European Investment Bank, if the security is denominated in PLN and its credit rating is at least equal to Poland's rating. Securities issued or guaranteed by Poland can be held regardless of the credit rating up to 100% of the NAV. Maximum allowed duration of the fund is 0.5 year, while maximum weighted average maturity of the portfolio is 1 year. The Fund must limit investment in securities to those with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days. To ensure liquidity the fund can also place bank deposits. All of the assets held by the fund are denominated in PLN

DISTRIBUTORS

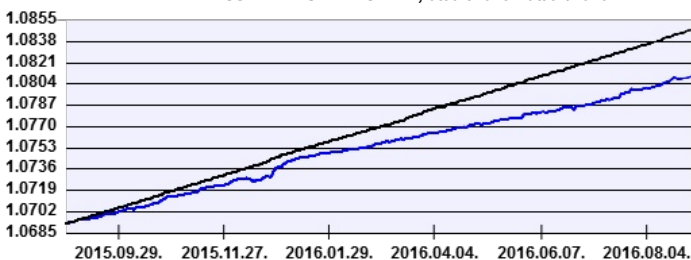
Aegon Towarzystwo Ubezpieczen na Zycie Spolka

NET YIELD PERFORMANCE OF THE FUND:

Interval	Yield of note	Benchmark yield
From start	2.05 %	2.12 %
2015	1.12 %	1.53 %
2014	2.25 %	2.23 %
2013	3.10 %	2.71 %

NET PERFORMANCE OF THE FUND

NET ASSET VALUE PER SHARE, 09/01/2015 - 08/31/2016



---- Aegon Polish Money Market Fund institutional series ---- Benchmark

Past performance is no guarantee of future results. This report should not be considered as an offer or investment advisory. The Fund Prospectus contains the detailed conditions of the investment. The distribution costs of the fund purchase can be found at the distributors.

RISK INDICATORS FOR THE LAST 12 MONTHS:

Annualized standard deviation of the fund's weekly yields: 0.11 %

Annualized standard deviation of the benchmark's weekly yields: 0.04 %

INVESTMENT HORIZON:

Suggested minimum investment period:



Risk and Reward Profile:



MARKET SUMMARY:

This month was characterized by two distinct periods. During the first part bond markets continued their march: inflows into risky bond funds showed good risk appetite, however core market yields lost steam. In Poland more details were disclosed about the mortgage conversion plan: banks will be encouraged via regulatory tools to convert CHF loans (not compulsory), but costs could be significantly lower than expected, which was bond positive as the milder solution reduced somewhat the risk of additional downgrades by rating agencies.

The Bank of England cut Bank Rate by 25bps, announced new Gilt purchases of GBP 60bn and cut GDP forecasts acting more aggressively than market expected.

Polish GDP came lower than expected (3.1% YoY vs. 3.3%), high frequency data surprised also on the downside (retail sales, industrial production), that fueled rate cut expectations again. After the data Zyzinski (a well known dove) and Lon spoke about potential rate cuts. This was the first time after a long period a 50 bps rate cut was mentioned again, so it was quite supportive for Polish bonds.

Meanwhile, in the US with impressive run of job gains (255.000 vs. 180.000 expected) a September rate hike from Fed came in play again. In Poland other MPC members argued against a rate cut and watered down expectations. When it comes to Polish monetary policy, we believe, that Poland would have some room to ease monetary policy, but MPC comments suggest the bar for rate cut remains high, meaning a further aggressive deterioration in the economic outlook will be necessary for the MPC to move. Valuation of Polish bonds became stretched (spreads versus core yields came down by 25-30 bps, yields of both 5Y and 10Y papers reached their fair values after a long time), when global bond market sentiment started to change and idiosyncratic risks (Top Court issue, fiscal problems) in Poland gained attraction again causing profit taking. Local sentiment deteriorated further after the budget draft has been released by the ministry of finance, which sees the budget deficit widening from 2.6% of GDP in 2016 to 2.9% in 2017, just shy of the 3% threshold, that could trigger the excessive deficit procedure again. Furthermore the government has signaled that economic hurdles won't keep it from delivering on costly campaign pledges (lowering the retirement age, increasing public wages and minimum pension, providing free medicines for senior citizens and increased outlays on defense). With slowing growth and increased spending the government's plan to hold the deficit within European Union limits are becoming more and more unrealistic. Fitch's statement saw "fiscal downside risks" in Poland's 2017 budget draft.

Mbody's released a warning too, saying that the recent escalation of the Constitutional Court row is credit negative as it is likely to increase tensions with the European Union, with a higher risk of further impairment of Poland's investment climate. Mbody's opened the door for a downgrade of Poland in September, however consensus expectation is for no change in rating.

Meanwhile global bond sentiment deteriorated due to hawkish comments and increasing FED rate hike probability, however the debate about lower natural interest rate alleviated the pain. At the end of the month Jackson Hole stimulated Fed rate hike expectations further: 10-year Treasury yields rose to the highest level in two months and the greenback appreciated. Comments of Yellen show that she still has confidence in her forecast-based policy using traditional models of the economy. With hawkish comments already ahead of Yellen's Jackson Hole speech, the market priced approximately a 10pp higher probability for September and December rate hike than a week ago.

Altogether, Polish 5Y bond yields reached a low at 2.04%, meanwhile 10Y bond yields reached a low at 2.6% before bouncing 20-25 bps.

ASSET ALLOCATION OF THE FUND ON 08/31/2016

Asset type	Weight
T-bills	35.59 %
Government bonds	24.26 %
Deposit	53.59 %
Liabilities	-13.56 %
Current account	0.20 %
total	100.00 %
Derivative products	0.00 %
Net corrected leverage	100.07 %

TOP 5 POSITIONS

PLGB 2017/07/25 0% (Lengyel Állam)
 PLGB 2016/10 4,75% (Lengyel Állam)
 PLGB 2017/04 4,75% (Lengyel Állam)

Assets with over 10% weight

PLGB 2017/07/25 0% (Lengyel Állam)
 PLGB 2016/10 4,75% (Lengyel Állam)
 PLGB 2017/04 4,75% (Lengyel Állam)

Bonds by tenor:

0 - 1 year 100%

