

The time for income

April 2024

Higher bond yields and strong levels of dividend growth mean income-bearing assets currently offer investors an excellent opportunity, either income for its own sake or as a contribution to strong prospective total return.

- Ten-year UK government bonds currently yield 3.9%, US Treasuries 4.2%, while the additional yield on offer from global high yield corporate bonds is hovering around 7.8%*.
- Global equity dividends paid out approximately \$1.6 trillion in 2023 - a record year - while dividend growth has generally kept pace with inflation.

We believe income bearing assets will continue to provide attractive opportunities for total return investors in 2024 and beyond.

- With inflation expected to fall, the normalisation of the interest rate cycle will provide opportunities for strong total returns, particularly from good quality high yield bonds.
- Global equities will maintain strong pay-outs and robust share buyback activity, while their natural defensive qualities will continue to offer protection in volatile markets.
- As rates fall and the yield available from cash declines, the through-cycle consistency of income from bonds and equity dividends will be increasingly attractive.

Why Aegon AM?

Aegon Asset Management has a long history of actively managing income-bearing strategies on behalf of clients. And a long history of outperforming peer groups as showed below.

Past performance does not predict future returns, please see the risks table within this document for the main risks of investing.

	1 year	3 years (p.a)	5 years (p.a)	10 years (p.a)
Aegon High Yield Bond Fund B Acc GBP (%)	15.60	3.59	4.89	4.02
Investment Association £ High Yield Bond Sector Median (%)	12.33	2.50	3.09	3.07
Quartile	1	2	1	1
Aegon Global Equity Income Fund C Inc GBP (%)	20.99	11.98	12.67	11.70
Investment Association Global Equity Income Sector Median (%)	12.78	8.63	8.94	9.81
Quartile	1	1	1	1
Aegon Diversified Monthly Income Fund GBP B Inc (%)	12.41	2.96	3.69	5.46
Investment Association 20-60 Shares Sector Median (%)	7.79	1.73	3.17	4.07
Quartile	1	1	2	1

Source: Lipper, as at 31 March 2024. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Returns over 1 year are annualised.

Aegon High Yield Bond Fund: Performance comparator: Investment Association Sterling High Yield Bond Sector. Investors are invited to compare the Fund's performance against the performance of other funds within this Sector. Comparison of the Fund against this Sector will give investors an indication of how the Fund is performing compared with Funds investing in a similar but not identical investment universe. The comparison should be performed over at least a 7 year period to provide the most useful long term comparison.

Aegon Diversified Monthly Income Fund: Performance comparator: Investment Association Mixed 20-60 Sector. Investors are invited to compare the Fund's performance against the performance of other funds within this Sector. Comparison of the Fund against this Sector will give investors an indication of how the Fund is performing compared with Funds holding similar equity ranges. The comparison should be performed over a 5 year period to provide the most useful medium term comparison.

We build concentrated, bespoke portfolios of conviction ideas and avoid rigidly adhering to a benchmark. We look for consistency of income and, where appropriate, income growth to drive returns.

In the following pages we set out three strategies with different risk/return profiles. These strategies have a proven ability to deliver consistent, premium income as part of a total return approach. We offer these strategies through pooled funds and segregated mandates, and we would be delighted to work with clients looking for bespoke solutions.

Bonds are back as higher yields provide enhanced income and attractive total return opportunities.

Tom Hanson, CFA
Head of Europe High Yield

Aegon High Yield Bond Fund

Our high-conviction, flexible investment strategy

We are active, high conviction managers seeking to exploit market opportunities and inefficiencies across the global high yield bond market. Our disciplined process focuses on bottom-up, fundamental credit analysis complemented by a structured top-down process. We invest in our highest conviction ideas to build a concentrated portfolio of 90-140 holdings. Using a flexible, index agnostic approach we pursue differentiated performance results.

High income	Average coupon on the Aegon High Yield Bond fund around 7.98% offers steady income
Total returns	Starting index* yield around 8% provides compelling total return potential
Proven track record	Delivered top-quartile performance and strong risk-adjusted results throughout cycles

The evergreen appeal of high yield bonds

From a structural perspective, high yield bonds have the potential to offer evergreen appeal and can serve a key role within clients' portfolios. Key benefits:

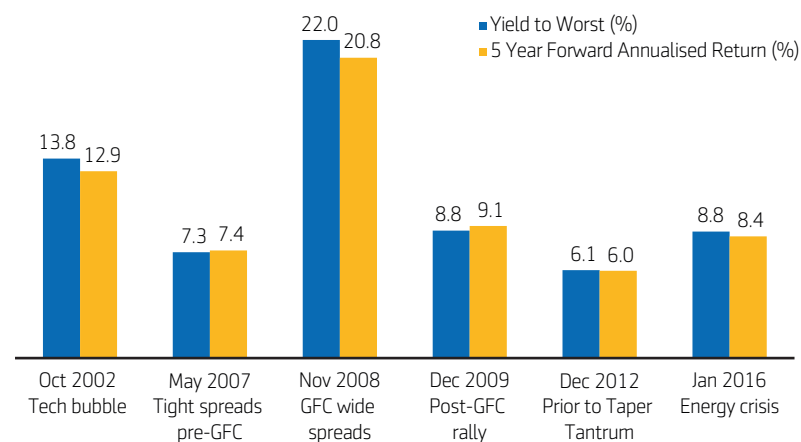
- **Attractive income:** Higher coupon rates and a healthy spread over government bonds.
- **Enhanced risk-adjusted returns:** Equity-like returns with lower volatility over the long term.
- **Diversification benefits:** Relatively low correlations to other fixed income assets and equities.

High income and total return opportunities

As rates have shifted higher, the income available from bonds has continued to climb. Investors today have a rare opportunity to lock in higher coupon rates and enhance income. And unlike prior environments, investors no longer need to stretch to the riskiest segment to add income. Even higher-quality companies offer bonds with compelling coupon rates. Higher coupon rates today means bond markets can provide income that investors are currently sourcing from money market funds, even as rates decline.

From a total return perspective, the **starting yield** is a reasonable estimate throughout the cycle of prospective five-year total returns. With the average yield to worst around 8%*, and coupon payments providing a buffer against price movements high yield bonds provide compelling total return potential along with steady, high income.

Starting yields are a solid estimate of five-year total returns



Source: Aegon AM, Bloomberg, ICE BofA. The chart is based on monthly ICE BofA Global High Yield (HW00) index data and includes the index YTW and forward five-year annualized return in local currency. The annualized returns quoted in the bullets reflect the 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 2023).

*As at 31 March 2024. Benchmark is ICE BofA Global High Yield Constrained index (HW0C).

Aegon Diversified Monthly Income Fund

Our flexible and unconstrained approach

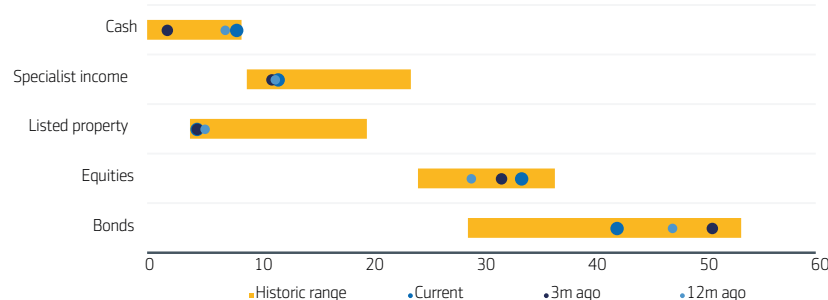
As active investors, we pursue the most attractive income opportunities wherever they may be. We are benchmark-agnostic and nimble, flexing our top-down allocations in real time as markets evolve throughout the cycle. We work collaboratively with in house specialists to offer a tailored multi-asset solution that aims to deliver an attractive 5%* income yield and consistently strong results for our customers.

Sustainable income target of 5%*	<ul style="list-style-type: none"> Rolling 12-month historic yield of 6.2%¹ Consistent income delivery over more than 10 years
Seeking an attractive total return	<ul style="list-style-type: none"> Cumulative net total return since launch of 69.32%²
Proven track record	<ul style="list-style-type: none"> 47% of equity market volatility since inception³ Lower drawdowns than equity markets during periods of market stress

Harnessing differentiated sources of income throughout the cycle

A global opportunity set, an active philosophy and the breadth of resource in our global fixed income, equities and listed real estate investment teams means our multi asset solution is able to flex allocations through the cycle. The result is a concentrated portfolio of global listed investments that does what multi asset is supposed to do; its diversification manages volatility, produces an attractive income and delivers a strong risk-adjusted total return. [Click here for more on differentiated income sources.](#)

Asset allocation ranges since inception

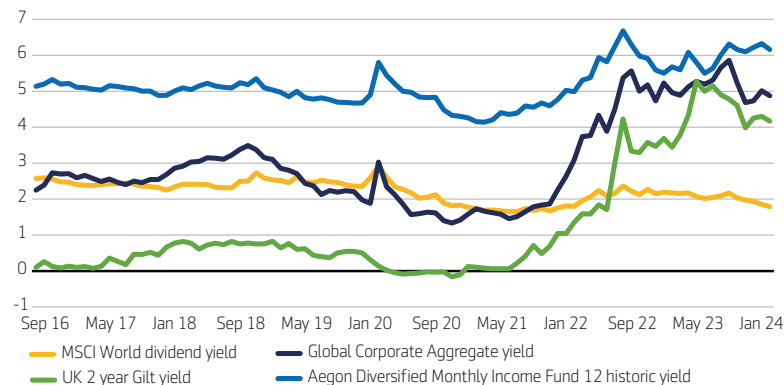


Source: Aegon Asset Management as at 31 March 2024. Fund inception date 25 February 2014.

Potential premium income yield across various market environments

At the heart of our proposition is the potential for an attractive yield. We harvest natural income from a wide range of income-producing securities for our monthly distributions. Our unconstrained approach and broad opportunity set has allowed us to deliver a consistently attractive level of income regardless of market environment and within a risk-adjusted total return framework. If we are indeed at the top of the rate cycle, this consistency of income will be even more important in the years ahead.

Consistent yield through cycle



Source: Aegon Asset Management and Bloomberg as at 31 March 2024.

*Income is not guaranteed and 5% is a target yield, being the fund's target total distribution over the next 12 months as a percentage of the current mid-market share price. The target yield may be revised in future.

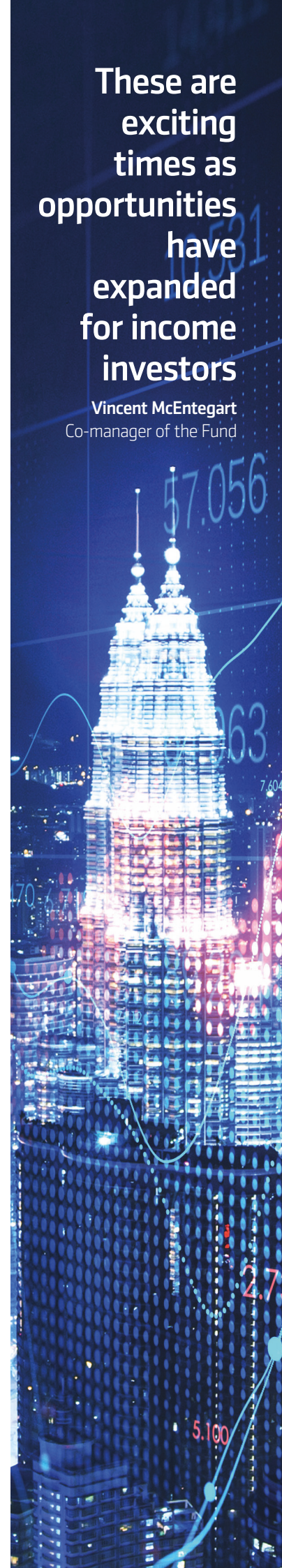
1. As at 1 April 2024. The historic dividend yield is the sum of the previous 12 monthly distributions divided by the share price at the end of that 12-month period. Distributions are declared after the end of the month to which they relate and paid one month later. Income distributed is natural income, with no sacrifice of capital. The most recent monthly distribution is based on an estimated distribution rate. All figures are for the Aegon Diversified Monthly Income Fund B Inc (GBP) share class.

2. Source: Lipper, as at 31 March 2024, B Inc (GBP) share class, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Fund shown is the Aegon Diversified Monthly Income Fund B Inc GBP. Inception 25 February 2014.

3. Equity market reference index: MSCI World 100% Hedged to GBP Net Total Return Index. Reference index data source: Bloomberg.

These are exciting times as opportunities have expanded for income investors

Vincent McEntegart
Co-manager of the Fund



Consistency, reliability and longevity through our quality income approach

Mark Peden
Co-manager of the Fund

Aegon Global Equity Income Fund

Our differentiated equity income philosophy

With over a decade of consistent, successful performance behind it, the Aegon Global Equity Income Fund's 'quality income' approach offers a focused portfolio of 40-50 high-quality companies that collectively provide:

- Premium income delivery from reliable and growing dividends
- Defensive exposure to global equities through a lower-beta approach
- Complement to a more growth-focused portfolio

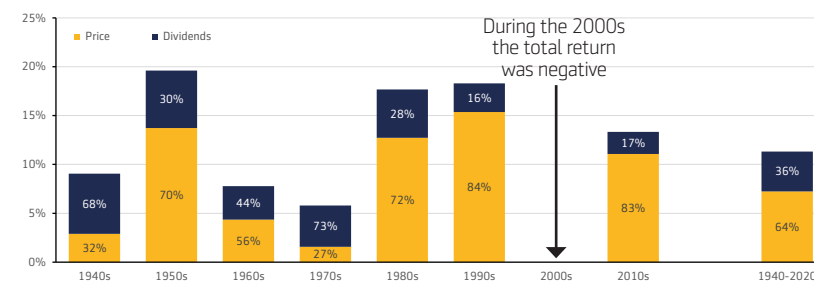
Premium yield	Aims for, and has delivered since launch, a yield of around 30% higher than MSCI ACWI
Quality income	Focuses on sustainable and growing dividends, not the highest yields
Proven track record	First quartile returns over 1, 3, 5, and 10 years. Above median return for 10 consecutive calendar years.

Equities for long-term outperformance

For investors who can accept the volatility the history is clear; equities have delivered the strongest total returns over time.

History is clear on another factor; the valuable contribution of income to total return, particularly income reinvested. Over a third of total returns on the S&P 500 between 1940 and 2020 were from dividends. That contribution is particularly marked in periods of above-average inflation when stocks with high dividend yields have generally, historically, outperformed the market.

The importance of dividends to long term returns

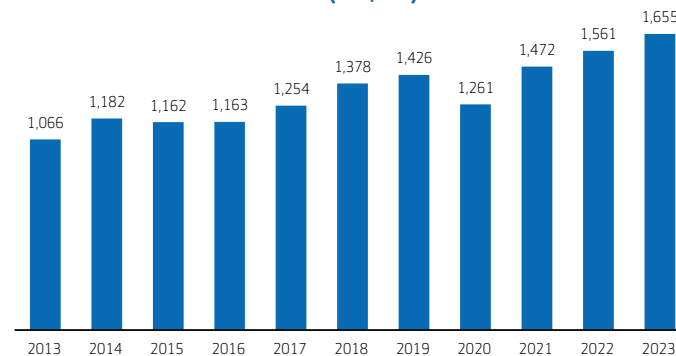


Source: Bloomberg, Kepler Cheuvreux

A sweet spot for equity income

Dividends continue to provide real income protection, rising faster than inflation. Despite slowing economies, corporate earnings remain resilient and balance sheets strong which is supporting record levels of global dividends and share buybacks. Yet payout ratios are below historical averages; scope for continued dividend growth and a buffer if economic growth softens. Furthermore, the elevated interest rate environment should favour quality, income producing companies over high growth or deep value ones.

Global total annual dividends (US\$ bn)



Source: Bloomberg

Risks

The main risks of investing in the funds are summarised in the table below:

	Credit	Liquidity	Counterparty	Other markets	Concentration	Derivatives	Interest Rates	Fund charges	Foreign Exchange
High Yield Bond Fund	x	x	x	x	x	x	x	x	
Diversified Monthly Income Fund	x	x	x	x	x	x	x	x	x
Global Equity Income Fund		x		x	x				x

Aegon Global Equity Income Fund

Investment policy

The Fund shall directly invest at least 80% of the Net Asset Value of the Fund in equity securities. The Investment Manager in seeking to achieve the Fund's investment objective, intends to invest primarily in a portfolio of global equity securities providing an above average yield.

For more information on the risks involved with these funds please see the Prospectus/KIID.

Calendar year performance (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Aegon Global Equity Income Fund C GBP Inc	12.09	-0.93	22.20	9.35	21.66	-5.37	12.78	22.73	10.06	6.44
MSCI World AC index GBP	15.88	-7.62	20.14	13.22	22.38	-3.27	13.84	29.40	3.84	11.22
Global Income sector median*	10.75	-4.06	19.47	1.21	15.63	-8.41	11.29	16.53	4.03	4.91

Source: Lipper as at 31 December 2023. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Performance for the C Inc GBP share class. The performance benchmark is the MSCI All Countries World Index GBP. Benchmark and sector source: Lipper. Note: index benchmarks have close of day prices. *The Aegon Global Equity Income Fund C Inc GBP share class is included in the Investment Association Global Equity Income sector as a relevant comparison for UK Investors.

Find out more

Click below to find out more about each of the funds:



Disclosures

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

The principal risk of this product is the loss of capital. Please refer to the KIID and/or prospectus or offering documents for details of all relevant risks. For all documents please see www.aegonam.com/documents

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

Opinions and/or example trades/securities represent our understanding of markets both current and historical and are used to promote Aegon Asset Management's investment management capabilities: they are not investment recommendations, research or advice.

Sources used are deemed reliable by Aegon Asset Management at the time of writing. Please note that this marketing is not prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing by Aegon Asset Management or its employees ahead of its publication.

Fund Charges are taken from capital, increasing distributions but constraining capital growth.

All data is sourced to Aegon Asset Management UK plc unless otherwise stated. The document is accurate at the time of writing but is subject to change without notice.

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Global Equity Income Fund: Aegon Asset Management Investment Company (Ireland) Plc (AAMICI) is an umbrella type open ended investment company which is authorised and regulated by the Central Bank of Ireland. Aegon Investment Management B.V (Aegon AM NL) is the appointed management company. Aegon AM NL is registered with and supervised by the Dutch Authority for Financial Markets (AFM). Aegon Asset Management UK plc is the Investment Manager.

Aegon Asset Management UK plc is authorised and regulated by the Financial Conduct Authority.

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