

AEGON INSIGHTS

Alternative fixed income: Trends and opportunities

Alternative fixed income has become increasingly important for institutional investors in recent years. It provides opportunities to increase the portfolio yield and decrease the risk – through more diversification - when the (often lower) liquidity of these assets is less of a constraint. Alternative fixed income is also well-suited for responsible investing, a major trend for investors who aim to finance a more sustainable world whilst protecting their portfolio against ESG risks.

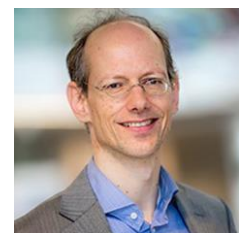
Executive summary

- The alternative fixed income market has grown rapidly in recent years. This growth is caused by different trends, most importantly the search for yield, diversification, and responsible investing.
- The alternative fixed income asset class is highly diverse, embracing many asset classes such as asset-backed securities, consumer loans, fund finance, mortgage investments, loans to small- and medium-sized enterprises, renewable infrastructure, insured loans, and guaranteed loans, among others. These strategies typically have low correlations with traditional asset classes such as sovereign and corporate bonds, and thus offer opportunities for more diversification.
- Alternative fixed income strategies exhibit great variety in terms of spread, risk, capital charge, liquidity, duration matching, and opportunities for responsible investing. This enables investors to choose those assets which best fit their particular investment needs, by taking the different characteristics of these assets into account.
- Alternative fixed income is particularly attractive for long-term investors, such as pension funds and life insurance companies, who have room for less liquid assets on their balance sheet.
- An interesting feature of many alternative fixed income assets are the additional safety measures compared to traditional corporate loans, such as covenants and guarantees.



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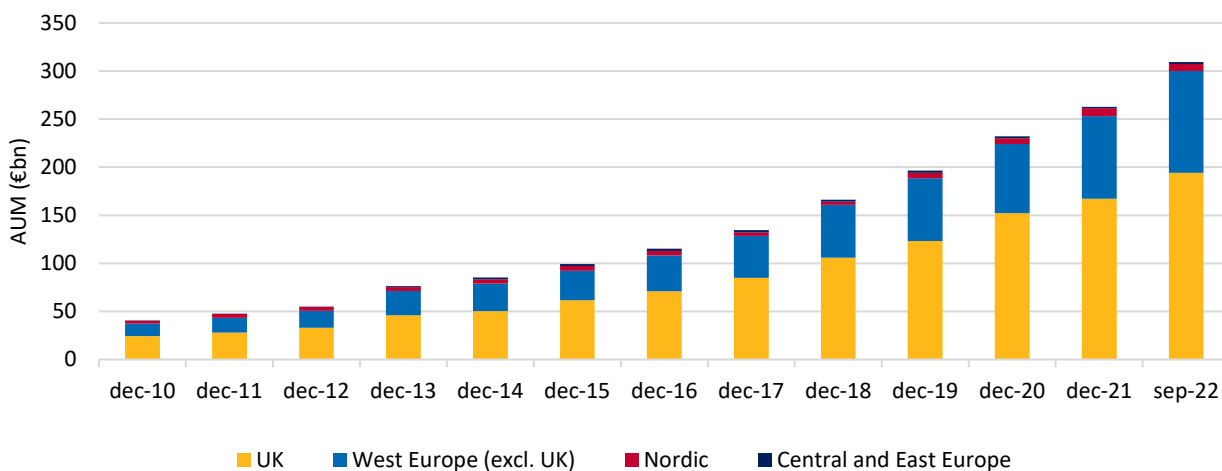
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Underlying trends

Negative (or close to zero) interest rates were one of the main drivers for institutional investors to invest in alternative fixed income during the last decade, as mentioned in many of our previous publications. In alternative fixed income a **pick-up in yield** was found relative to traditional fixed income, frequently driven by illiquidity and / or complexity premiums. In addition, a risk-based approach led investors to also look for alternative assets as a source of **diversification**, which is usually a result of exposure to different borrower groups as will be explained later in this paper.

More recently a strong need for transformation and innovation, especially around **sustainable financing**, has been identified as one of the main reasons why supply of and demand for fixed income solutions in the private markets (or private debt) have grown considerably, as shown in Figure 1.¹ Such a need for transformation encompasses topics such as changes in the commodities market, international trade, demographics and, on top of the agenda of institutional investors, sustainability and **climate change**. The sustainability angle is therefore now an extra dimension that investors take into account when making investment decisions (next to the traditional risk and return characteristics).²

Figure 1: Europe private debt growth



Source: Prequin Pro. Data as of June 2023

Prequin (2023) indicates that *“the long-term nature of transformative investments means that some of the most appropriate are in private markets where investors can take the long-term view”*. This statement makes sense to us if we look not only at the [often] long duration of private debt, but also at the buy-and-hold style which is typical for these investments.

The alternative fixed income spectrum can incorporate opportunities for transformation in varying degrees. Whilst some intrinsically achieve transformation — infrastructure investments being a natural one that comes to mind — some others have a different investment rationale such as diversification via a different borrower group. Similarly, the degree of illiquidity will vary depending on the nature of the strategy, ranging from highly liquid to highly illiquid.

¹ Prequin, 2023. “Alternatives in Europe 2023”

² With regulatory capital being a fourth dimension, although only applicable for regulated institutional investors.

Sustainability & alternative fixed income

Recent events such as the Covid-19 crisis or the Russian invasion of Ukraine have not only caused economic effects but have also increased pressure to finance the United Nations' Sustainable Development Goals (SDGs). Mounting pressure on official development assistance, future constraints on government revenue, spiraling debt, among other developments,³ lead to available resources are not keeping pace with growing SDGs financing needs, resulting in an also growing **SDG financing gap**. The SDG financing gap in developing countries, which present large challenges and opportunities, increased by 56% percent in 2020, totaling \$3.9 trillion (OECD, 2023). Hence, a huge capital flow is required to transform the world into a more sustainable one. Investors look for opportunities to finance projects aligned with the SDGs but also for investments that do not compromise their value due to ESG risks.

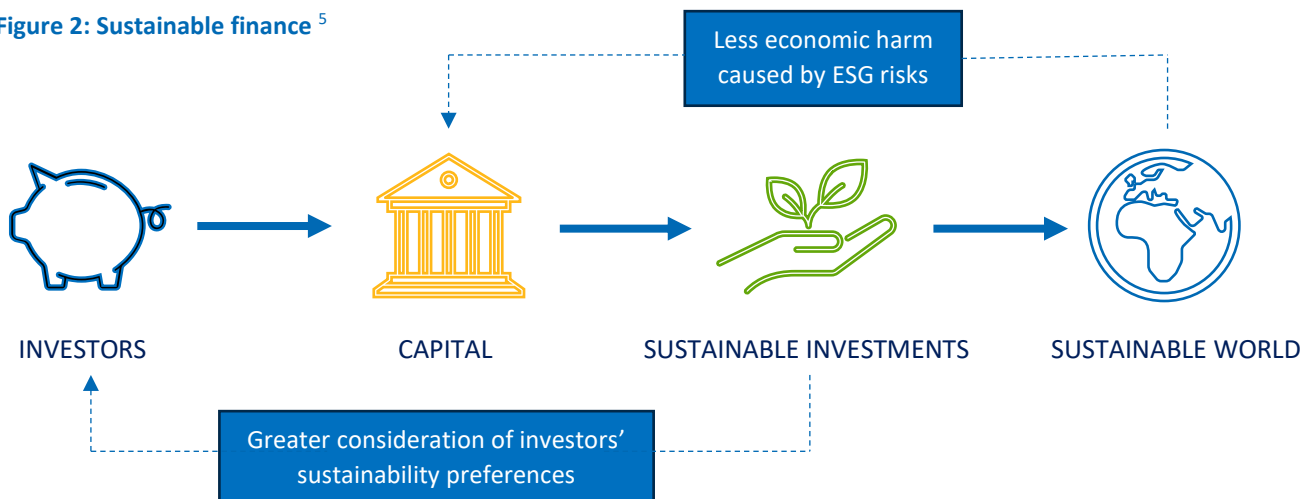
Sustainability-themed investments⁴

Sustainable strategies center around a set of investment opportunities contributing to one or more sustainability challenges or trends.

Comprehensive sustainability analysis is undertaken for each eligible issuer, ensuring sufficient involvement in sustainable economic activities and no significant harm to other environmental and social objectives.

Alternative fixed income strategies are well-suited for sustainable investing.⁴ They often finance projects that do not have easy access to capital markets and would otherwise receive less financing. Sustainable investing in infrastructure, for instance, is already a major trend. Opportunities in renewables, water treatment, communications and mobility, in both developed and emerging countries are also available.

Figure 2: Sustainable finance⁵



Source: European Commission, 2019; and Aegon Asset Management (Aegon AM), 2024.

Investors in alternative fixed income can be selective and specific when it comes to responsible investing. Individually or in small groups, investors can negotiate terms to stipulate adequate reporting on environmental, social and governance (ESG), or set interest rates contingent on general ESG performance or specific ESG factors. They can also have more direct controls and ways to engage with borrowers. Furthermore, many sustainable solutions are driven by smaller, innovative, privately-owned companies, which are commonly involved in direct lending transactions.

Last but definitely not least, the **systematic integration of ESG** as a core part of the investment process **strengthens investors' risk management**. Investors should consider ESG factors as a complement to traditional fundamental analysis of corporate financial results because such a more comprehensive view might uncover unintended or mispriced risk.⁶ Investment decisions that go through an ESG integration process can give additional information as to how the investment manager accounts for risk beyond financial statements.

³ OECD, 2023. Available at: https://www.oecd-ilibrary.org/sites/fcbe6ce9-en/index.html?itemId=/content/publication/fcbe6ce9-en&_csp_324f5278c3cd15483ec0c51666af7400&itemIGO=oecd&itemContentType=book

⁴ Aegon AM, 2023. Responsible investment framework. Available at: <https://www.aegonam.com/globalassets/aam/responsible-investment/documents/aegon-am-responsible-investment-framework.pdf>

⁵ European Commission, 2019. Available at: https://finance.ec.europa.eu/system/files/2019-03/finance-events-190321-factsheet_en_0.pdf

⁶ Harper, H. 2020. "One Institutional Investor's Approach to Integrating ESG in the Investment Process"

Different borrower groups

As shown in Table 1, alternative fixed income can provide exposure to different borrower groups (e.g., direct consumer exposure) compared to traditional fixed income exposure to (mainly) governments and corporates. This **can provide innovation and strong diversification benefits** via more diverse risk / return profiles.

Table 1: Borrower groups found in alternative fixed income

Borrower group	Characteristics
Private loans to companies	<p>Private placements allow investors and borrowers to benefit from more tailored agreements, given an often less standardized regulatory framework. This means that the investor can better negotiate elements such as the price and use of proceeds. A reduced number of lenders and a relationship-driven market are also characteristic of private loans.</p> <p>A sub-universe of this borrower group are SME's and mid-market companies, which contribute significantly to GDP, employment, and innovation. They operate across various industries. The diversity of sectors they cover help investors diversify their portfolios as well.</p> <p>Additional means of protection to the investor such as collateral, covenants and guarantees can be found in this borrower group.</p>
Consumer exposure and asset-backed securities	<p>Many investors have a large exposure to sovereign and corporate risk. Alternative fixed income assets can offer exposure to consumer risk, for example through investments in residential mortgage loans, credit card loans, auto loans or student loans.</p> <p>Exposure to private assets by capitalizing the early stages of investment funds is another source of diversification found in this borrower group.</p>
Asset / Specialty	<p>Specialized assets such as (renewable) infrastructure, loans to export credit agencies, Dutch social housing, project finance and loans to emerging markets offer investors the opportunity to fund projects with strong sustainable (environmental and / or social) characteristics.</p> <p>A longer duration and / or the existence of guarantees add value to this type of asset exposure.</p>

Given the illiquid nature of most alternative fixed income categories, the practical allocation between sectors will not be particularly dynamic. However, the high income produced by many of these categories means there is a potential to reallocate income streams to new opportunities or increase allocations to favored sectors. Regional diversification is also important, although there may be a preference for certain regions in some sectors, given the relative size of the markets and the expertise required for investing successfully in different parts of the market.

A high demand for sustainable investing — but a still limited supply of deals that conform to the strictest responsible investing definitions — makes building a diversified portfolio less easy, or at least a more time-consuming process. We believe, however, that the various existing opportunities and ongoing development of the alternative fixed income market make it a good choice for supporting long-term sustainable investing objectives. **ESG integration is generally applicable to these alternative borrower groups**, hereby strengthening risk management.

Different needs, different strategies

In Table 2 we compare different Aegon AM strategies within the alternative fixed income spectrum. It is important to note that the scores on the different dimensions can (and will) shift over time and that the assessment is sometimes based on qualitative instead of quantitative measures (the sustainable financing column in Table 2 being an example). Capital charges are determined with the standard formula of the Solvency II regulations.

Table 2: Comparing different Aegon AM alternative fixed income strategies

Borrower group	Strategy	Swap spread (basis points)	Risk	Capital charge	Liquidity	Matching	Sustainable financing	ESG factors
Private loans to companies	Private placements	175 - 200	Low (BBB)	Moderate	Low	High	✓	✓
	Midcap loans	~400	Moderate (BBB-BB)	Moderate	Low	Low	✓	✓
	SME loans	750 - 850	Moderate (BB)	Moderate	Low	Low	✓	✓
Consumer exposure and Asset-backed securities	Dutch mortgages	150 - 200	Very Low (AAA-AA)	Very Low	Low	Moderate	✓	✓
	ABS	~ 200	Low (AAA-BBB)	High	High	Low	✓	✓
	AAA STS ABS	~ 70	Very Low (AAA)	Low	High	Low	✓	✓
	Capital call facilities	200 - 250	Low (AA-A)	Low	Moderate	Low	✓	✓
	NAV finance	350 - 550	Low (A-BBB)	Moderate	Low	Low	✓	✓
Asset / Specialty	ECA Loans	50 - 150	Very Low (AAA-AA)	Negligible	Low	Moderate	✓	✓
	Social housing (WSW) loans	40 - 75	Very Low (AAA)	Negligible	Moderate	High	✓	✓
	Renewable infrastructure	~150	Low (A-BBB)	Moderate	Low	Low	✓	✓
	Infrastructure debt (senior)	~200	Low (BBB)	Moderate	Low	High	✓	✓
	Insured credit	200 - 225	Very Low (AA-A)	Very Low*/Low	Low	Moderate	✓	✓

Table 2: Characteristics of a variety of alternative fixed income asset classes (for illustrative purposes only). Indicative spreads in EUR. Risk ratings in this table are either external (when available) or internal (for unrated instruments). The qualitative determination of the risk profile may take into account additional sources of protection such as guarantees. We here consider the matching properties for an investor with long-term liabilities. By sustainable financing we refer to the possibility of finding opportunities for sustainable solutions at a strategy level, as defined in the Aegon AM RI framework (see footnote 4). ESG Factors refers to the possibility of ESG integration (see also footnote 4). Sources: Bloomberg, Aegon AM, La Banque Postale Asset Management, as at June 30, 2024 or latest available.*Subject to regulatory approval

A description of the strategies introduced in Table 2 is provided below.

Private placements



Corporate private placements are investment grade rated (with an explicit or implied rating) debt instruments sold to a limited number of qualified investors rather than publicly on the open market. Corporate private placements offer investors enhanced yields over liquid bonds, better downside protections through more stringent documentation and increased diversification into companies and industries which may not be available in the public market.

There are different types of private placement formats, including USPP, EUPP and Schuldschein (SSD),⁷ with USPP being the largest and most mature format, followed by SSD and EUPP. The proportion of transactions that are issued with ESG or sustainability-linked has been growing over recent years, implying that the margins on those loans can be adjusted based on the performance of the issuer in relation to ESG risk factors or the sustainability of the issuer's products and services.

⁷ Formats of documentation for corporate private placement deals

Midcap loans



Institutional investors have the opportunity to allocate institutional capital into promising midcap companies that seek to grow, to become more sustainable or to refinance their business. This middle segment significantly contributes to an important part of economic activity and forms the backbone of many European economies. This strategy covers medium-sized businesses and corporations that are located in the Netherlands and its neighboring countries.

There are different options available, such as senior, subordinated and unitranche floating loans. Senior loans typically demonstrate higher recovery rates relative to, for instance liquid corporate bonds due to availability of covenants and collateral. Such a relatively attractive risk profile, combined with the existence of an illiquidity premium, offers an interesting opportunity for investors who can hold on to their investments in midcap loans for the entire loan maturity (between three and seven years).

Sustainable objectives linked to the UN SDG's can also be found in midcap loans, such as good health and well-being (SDG 3), affordable and clean energy (SDG 7), sustainable cities and communities (SDG 11) and climate action (SDG 13), among others.

SME loans



This strategy provides loans to solid and profitable small or medium enterprises (SME's) in the Netherlands. Loans to SME's in the Netherlands are most attractive for long-term investors, who are comfortable holding illiquid investments within their portfolios. Typical loan maturities are between six and eight years.

Compared to traditional fixed income assets, this strategy offers high lending rates above the swap curve. These rates exist across different direct lending strategies, but this specific strategy is supported by relatively low SME default rates and guarantees, provided by either the European Investment Fund (EIF), with 50%, 70% or 80% guarantee or the Rijksdienst Ondernemend Nederland (RVO), with a 50% guarantee.

Direct subordinated lending contributes positively to economic growth, job creation and business continuity by providing access to finance (SDG 8). Also, every investment made via the EIF programme needs to meet at least one of the EIF Eligibility Criteria (SDG 7, SDG 9).⁸

These benefits should be weighed against the possible drawbacks of the loans. They are very illiquid and (currently) concentrated in Dutch SMEs. The returns also depend on the ability of the manager to invest in the most attractive loans under the right set of covenants (that are always included). A benefit is that a specialized manager can focus on the Dutch market and use established contacts with market participants such as banks and private equity investors.

Dutch mortgages



Dutch mortgages are direct-to-consumer loans, which are accessible via funds, special purpose vehicles (SPVs) or segregated mandates. Investments are typically made via a pool of many thousands of mortgages. The total size of the Dutch mortgage market is around €809 billion.⁹

The credit risk associated with this asset class is very low. Part of this market is also guaranteed by the Dutch central government (with an own-risk clause of 10% for the issuer). The liquidity of these loans is very limited, however, so this asset class is most attractive for long-term investors.¹⁰

Asset-backed securities



Asset-backed securities (ABS) are securities backed by specific collateral. The largest ABS sectors are residential mortgages, consumer loans (credit card and auto loans), commercial mortgages and loans to corporations. Contrary to their reputation, default rates on European ABS during the financial crisis were significantly lower than on similarly rated corporate bonds. A sub-category of ABS is the simple, transparent and standardized (STS) ABS.¹¹

Simple, transparent and standardized (STS) ABS meet a more stringent set of requirements from regulators, including a multi-step process to verify the STS eligibility criteria as set out in the Securitisation Regulation. However, the resulting capital treatment for the STS sub-category is much more favorable for European insurance companies, especially for senior tranches, for high ratings and for short durations.

Other attractive characteristics of ABS are strong ESG integration and high liquidity via the secondary market.

⁸ Criteria available at https://assets.foleon.com/eu-central-1/de-uploads-7e3kk3/22890/innovation_digitalisation_slides.dedf85192f5c.pdf and https://assets.foleon.com/eu-west-2/uploads-7e3kk3/22890/sustainability_guarantee_layout.3fa120984a1d.pdf

⁹ As of Q3 2023. Source: De Nederlandsche Bank (DNB)

¹⁰ Liquidity may be better for investors in mutual mortgage funds. Because the mortgage loans generate a substantial amount of income (due to regular mortgage payments and prepayments), enough cash may become available over time to facilitate the exit of fund participants

¹¹ For investors who do not face high capital charges for ABS (e.g. retail investors or charities) the high yield segment of the ABS market may also be of interest

Fund financing

Fund finance consists of capital call facilities and NAV loans to private market funds. Our focus is primarily on loans to private equity funds



Capital call facilities are loans during the investment period of the fund with recourse to the undrawn capital commitments of fund investors (LPs). These loans are short-term and have a low credit risk, rating AA or A. The credit strength is derived from both the strong LP base and structural protection.¹²

NAV facilities are (very) low LTV loans to private equity funds with recourse to the fund's assets. These loans are typically three to six years and have a 10 – 20% LTV: Rating: A/BBB. The credit strength is derived from the low LTV and structural protection.

Loans with Government guarantee



This strategy provides access to loans to regional governments and local authorities, social housing associations and project finance loans guaranteed by export credit agencies or multilateral development banks. Given the government guarantee, the credit risk and Solvency II capital charge of these loans is similar to that of government bonds while investors receive an attractive illiquidity premium. In general, liquidity through a secondary market is limited, so this strategy is mostly interesting for buy-and-hold investors. This strategy is also very suitable for sustainable investing targeting various SDGs, for example by financing the development of social housing, or specific sustainable and/or social projects in developing countries.

Two key categories within this strategy are WSW loans and ECA loans:

WSW loans are loans to Dutch housing associations that are covered by the Guarantee Fund for Social Housing (WSW in Dutch). WSW's obligations are ultimately guaranteed by the Dutch government. These are very attractive investments for an interest rate hedging or matching portfolio, given the safe, stable and predictable cash flows. Furthermore, these loans generate an attractive premium compared to government bonds and offer the opportunity to invest with (social) impact.

Export credit agency (ECA) loans are loans that can finance social and sustainable projects in developed and developing markets, such as social housing, renewable energy and healthcare. They benefit from a full guarantee from a highly-rated central government through the respective ECA.¹³ Given the complexity and high entry barriers, ECA loans offer significant pick-up compared to government bonds while also providing diversification benefits as investors can find both floating and fixed-rate investments.

[Renewable] Infrastructure debt



Infrastructure debt relates to the financing of equipment, facilities and networks that provide essential public services. These real assets typically generate predictable long-term contracted and/or regulated revenues. Infrastructure often offers some degree of inflation protection, depending on the specific investment.

The rise of infrastructure as an asset class is supported by structural trends, such as the call by governments on private investors to undertake infrastructure projects. In particular, the EU and national governments have committed themselves to the energy transition, in line with the Paris climate agreement. This is leading to a growing pipeline of renewable energy and clean-tech projects.

Diverse opportunities to invest in infrastructure exist, ranging from renewable energies, circular economies, clean transport, energy efficiency, innovative sectors such as e-mobility, green hydrogen and energy storage projects, among others. Investors can find fixed or floating rate options. Strategies more focused on renewable infrastructure and the energy transition (wind, solar, and new technologies) are also available and can be extra attractive under SFDR (Article 9 relative to Article 8 corresponding to less renewable-focused strategies).¹⁴

A further attractive feature of infrastructure debt is the moderate capital charge under Solvency II (compared to corporate bonds). Infrastructure investments, however, need to satisfy several criteria to qualify for a reduced capital charge. They also tend to be highly illiquid, so they are most appropriate for long-term investors. The stable, long-term and predictable cash flows make infrastructure loans a good candidate for a matching portfolio.¹⁵

¹² For fund financing, structural protection refers to the way the investment scheme is structured (e.g. covenants, cash sweep triggers, events of default, etc)

¹³ These ECAs are fully guaranteed by their respective central governments

¹⁴ Sustainability-related disclosures in the financial services sector. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R2088>

¹⁵ Applicable for fixed-rate loans

Insured credit



Insured credit provides investors access to alternative debt assets with additional measures to reduce risk, while preserving an attractive yield and return on capital. The strategy invests in assets where the credit exposure is insured by AA- or A- rated insurance companies using a two-step process. First, assets (loans, bonds or structured finance transactions) are sourced via development and commercial banks and the underlying collateral is assessed by Aegon AM’s team of credit, ESG and insurance experts. If the security meets strict criteria, the credit risk is transferred to AA or A rated insurance companies via the use of Non-Payment Insurance. Insurance companies then take up to 100% of the credit risk of the underlying assets in the exchange for an insurance premium. The investor therefore benefits from double recourse: first, to the collateral for principal and interest payments and second to the insurance companies for non-payment of the collateral.

This asset class has a strong diversification profile compared to other fixed income asset classes, being driven by a broad spectrum of insurance companies and diverse underlying collateral. Transactions can include assets across varying countries, sectors and debtors including emerging markets, corporates, ABS, infrastructure debt, project finance, leveraged loans, among others. Investors can select their preferred collateral allocation and optimise yield requirements depending on risk appetite and portfolio objectives.

Given its spread pick-up, insured credit offers an efficient return on capital, particularly under Solvency II, where the capital requirements can be reduced due to the additional insurance protection. Liquidity via a secondary market is limited, however, so this strategy is most interesting for buy-and-hold investors.

Insured credit offers the ability to select assets with strong social and environmental characteristics. There are scalable opportunities where the underlying collateral has (strong) alignment with SDGs, particularly within emerging markets —e.g., Good Health and Well-being (SDG 3), Decent Work and Economics Growth (SDG 8) and Industry, Innovation and Infrastructure (SDG 9).

Capital requirements under Solvency II

Due to their yield pick-up and, in some cases, a favorable capital treatment under Solvency II, alternative fixed income strategies are attractive from a return-on-capital angle. In Figure 3 we compare the capital requirements for the different strategies introduced above. We use the Solvency II capital requirement (SCR) for spread risk, except for Dutch mortgages, where we show the SCR for counterparty default risk. For comparison, results for two traditional, liquid categories (Core Euro sovereign bonds and Euro corporate bonds) are also shown in Figure 3.

Figure 3: Alternative fixed income strategies from a return-on-capital perspective

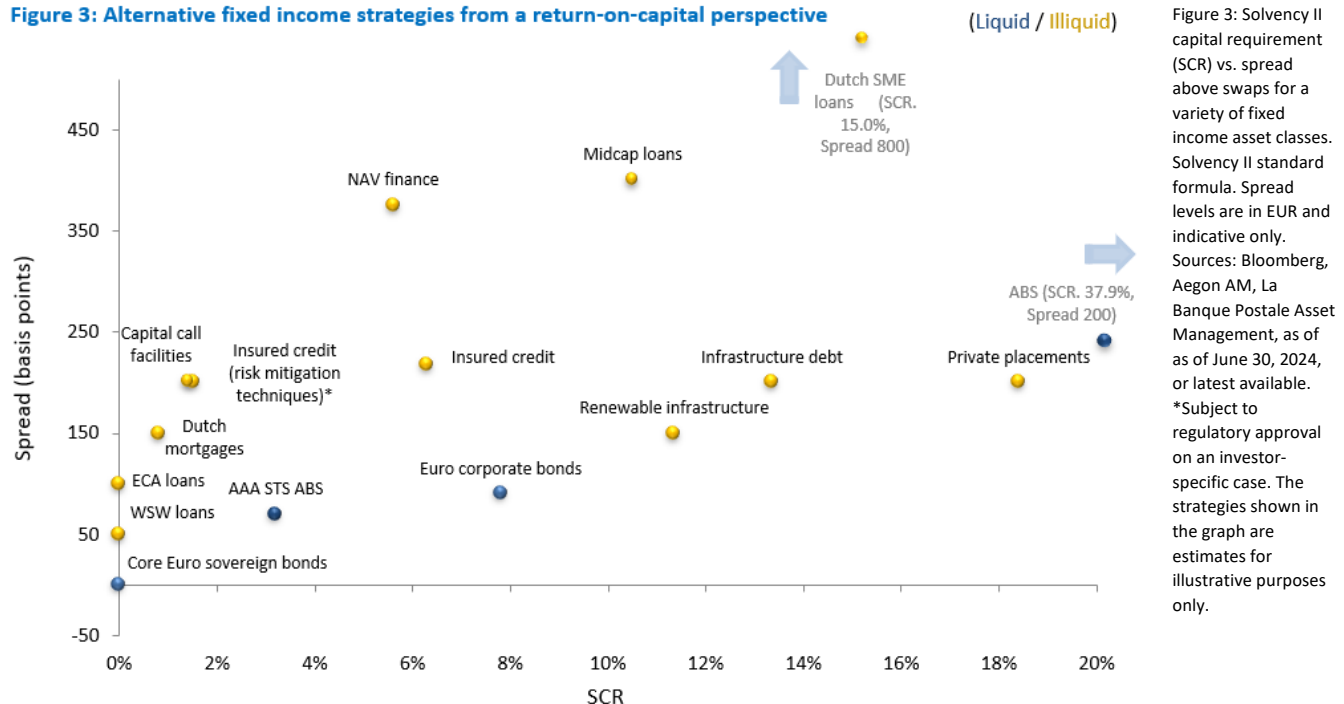


Figure 3: Solvency II capital requirement (SCR) vs. spread above swaps for a variety of fixed income asset classes. Solvency II standard formula. Spread levels are in EUR and indicative only. Sources: Bloomberg, Aegon AM, La Banque Postale Asset Management, as of as of June 30, 2024, or latest available. *Subject to regulatory approval on an investor-specific case. The strategies shown in the graph are estimates for illustrative purposes only.

It is clear from Figure 3 that most alternative fixed income strategies are relatively capital-efficient (a higher spread at a similar SCR, or a lower SCR at a similar spread compared to traditional, liquid asset classes). Adding these strategies will,

however, typically lead to less liquid portfolios, so investors should have sufficiently large illiquidity budgets to accommodate this. It is also important to keep in mind that duration plays an important role in the calculation of the SCR for spread risk; a higher duration conveys a higher SCR. However, long-duration strategies can compensate with strong liability-matching characteristics (e.g. infrastructure and private placements).

N.B. Both non-STS ABS and the Dutch SME loans strategies are off the scale of this graph, due to the high SCR for non-STS ABS and high spread for Dutch SME loans.

Conclusions

Alternative fixed income has become an important part of portfolios of institutional investors in recent years. These assets give access to new markets, like direct lending to consumers via residential mortgages or via large pools of consumer debt. This diversifies traditional fixed income portfolios, with their heavy tilt toward government and corporate debt. Many alternative fixed income assets also offer an attractive illiquidity premium compared to liquid debt. Investors with long-term liabilities typically have a significant budget for illiquid investments and can thus harvest this premium with assets that fit well into their matching portfolio.

Alternative fixed income is also well-suited for sustainable investing. This asset class often finances projects that do not have easy access to capital markets and would otherwise receive less financing. Sustainable investing in infrastructure, for instance, is already a major trend. Opportunities in renewables, water treatment, communications, and mobility, in both developed and emerging countries are also available.

From a capital point of view, many alternative assets are also treated favorably. Examples are mortgages, insured private loans, export credit agency loans and other illiquid loans with a government guarantee. For asset-backed securities, capital charges have also been reduced for the Simple, Transparent and Standard subcategory.

Alternative fixed income strategies thus show a great variety in terms of spread, risk, capital charge, liquidity, duration matching and opportunities for responsible investing. This enables investors to choose those assets which best fit their particular investment needs, by taking the different characteristics of these assets into account.

Aegon AM is a strong fixed income house and is part of Aegon Group, one of the world's leading financial services companies.¹⁶ Aegon AM has EUR 269 billion in assets under management. Aegon AM offers solutions in both liquid and illiquid strategies, public and private markets as well as short duration as long duration type products.

With over EUR 80 billion in our Alternative Fixed Income platform, Aegon AM is one of the leading asset manager offering this asset class to institutional investors.

Aegon AM has the capability to integrate all investment grade strategies into the LDI portfolios of our clients, delivering an integrated fixed income solution for our clients.

Aegon AM's sustainable solutions

There is an evolution in sustainability-themed products and services, enticing a growing number of companies to provide solutions to key sustainability challenges. We believe this also presents compelling investment opportunities and may **generate better returns while contributing to a more sustainable world.**

Our sustainable strategies center around a set of investment opportunities contributing to one or more sustainability challenges or trends. Our dedicated Responsible Investment team leads the development of their methodology and advises on the determination of their investment universe. The processes for these activities may vary according to asset class, but usually involve a committee or discussion group chaired by an RI team member to help ensure consistency and credibility of the strategy's sustainability proposition. Comprehensive sustainability analysis is undertaken for each eligible issuer, ensuring sufficient involvement in sustainable economic activities and no significant harm to other environmental and social objectives.

¹⁶ Aegon AM's credentials as at 31 March 2024

Disclosures

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