

Aegon Aegon Diversified Monthly Income Fund Value Statement

Aegon Asset Management UK ICVC
with a year end of 31 July 2024
Published November 2024





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A note from our Board of Directors

Dear Investor,

We're pleased to deliver the annual Value Statements report to you. The purpose of the report is to provide investors with a clear understanding of whether each fund in our UK product range offers value for money. We view the value assessment as an important responsibility, which requires the Board to appraise and, where necessary, to challenge investment outcomes, costs and the service delivered to investors.

The product range offers fixed income, equities and multi-asset funds, which are all research-driven and actively managed, and underpinned by a focus on risk management. Our investment teams strive for consistent long-term outperformance whilst as an organisation we aim to provide superior local servicing to meet and exceed your needs.

In recent years, we have focused on ensuring we are well positioned to meet the Financial Conduct Authority's new higher standard of consumer protection across UK financial services known as 'Consumer Duty'. This improved level of consumer protection aims to ensure that our funds are delivering good value and are well designed to meet investors' needs. Consumer Duty guidance also requires that we communicate with our investors and explain our funds in a way that is easily understood, which in turn will help them to make well-informed decisions.

This year's report highlights that the overall investor experience dipped below our own high standard at times, but the subsequent actions we have taken to address these issues have resulted in improvements which we expect to continue.

Fund performance is central to our assessment - all funds have been managed within their expected risk profiles, which are based on shares being held for their recommended holding period.

We'd like to thank you for the ongoing trust you place in us. We hope that this assessment gives you a greater insight into the work we do to ensure our funds keep delivering value.

Sincerely,

The Board of Aegon Asset Management UK plc

Helpful terms

Additional Charges

These are the charges on top of the Annual Management Charge ('AMC') that form part of the Ongoing Charges Figure ('OCF'). These items include audit fees and regulation fees.

Annual Management Charge ('AMC')

This is the charge by Aegon Asset Management UK plc for managing the fund and providing its overall service.

Investment objective

This describes what the fund is aiming to achieve over a stated period. Typically, this will be to achieve income and/or capital growth over a seven-year period.

Investment Association Sector

The Investment Association has created a range of sectors and has grouped funds deemed to have similar objectives and strategies into the same sector. For example, funds investing in UK smaller companies can be found in the Investment Association UK Smaller Companies Sector.

Environmental, Social and Governance (ESG)

Where relevant, we look to incorporate Environmental, Social and Governance (ESG) factors into the investment decision-making in our funds to mitigate risk and uncover opportunities.

While some funds are not explicitly mandated to make ethical value judgements or to impose ESG-related restrictions, the judgement we make reflects the extent to which we believe ESG issues impact a stock or bond's investment case, either positively or negatively. To do that, our fund managers/analysts draw upon the expertise of our dedicated responsible investment team with whom they work closely.

Responsible investment (RI)

This is an umbrella term that covers various tools and approaches to incorporating environmental, social and governance (ESG) considerations into investment decision-making processes. It may include ESG integration and active ownership as well as dedicated, RI-focused capabilities. Related terms may include sustainable or ESG investing. More information can be found in the Responsible Investment section of our website at www.aegonam.com/responsible

Liquidity

Funds invest in underlying securities according to their investment mandate. They also keep a small amount of cash to assist in payment of expenses incurred by the fund. Some underlying securities take longer to sell than others - this can be influenced by a range of factors, such as which index and country the security is purchased from, how many shares are in issue and market conditions. It can take from a few days to a couple of weeks to sell securities and receive the proceeds. However, there are instances where this can take longer.

Liquidity measures how quickly the fund can sell its holdings and receive the cash proceeds. Securities are generally sold to facilitate investor sell instructions. In extreme conditions, the fund may need to temporarily suspend dealing while it sells the required underlying holdings to facilitate the sell instructions. This can happen during extreme volatility, while the Portfolio Manager is seeking favourable prices and/or in instances when a significant proportion of the fund needs to be sold.

Performance comparators

Funds will generally be compared with their peers in the appropriate Investment Association Sector. The funds may also be compared against a benchmark index. In these instances, the benchmark may act as a constraint, a target or just for comparison purposes. In most instances the funds are measured against a benchmark index and/or Investment Association sector for comparison purposes. For example, the UK Equity Fund's performance is compared with the Investment Association All UK Companies Sector.



Glossary

Glossary available on our website at www.aegonam.com/glossary

Introduction

The Value Statement is produced each year for funds in our UK product range, covering the 12-month period to 31 July 2024. The purpose of this Value Statement is to provide investors with a clear understanding of whether each fund offers value for money to its investors.

The following product range is in scope:

Aegon Asset Management UK ICVC - ('UK OEIC') with a year end of 31 July 2024

Why do we produce a Value Statement?

The UK regulator, the Financial Conduct Authority ('FCA'), introduced rules in 2019 requiring asset management firms to consider, confirm and communicate whether they are delivering value for money in regard to the UK funds they are managing.

The FCA provided seven criteria that should be used in the assessment, which essentially cover quality of service delivered, costs, performance and how these compare to the market.

The Board of Aegon Asset Management UK plc takes responsibility for this process and has approved this statement. The Board of Directors is responsible for the overall governance of these UK funds. The Board of Directors includes external directors to ensure oversight and challenge of the funds is independent, comprehensive and in the best interests of investors.

The Chairman of the Board of Directors has overall responsibility for delivering this assessment.

The FCA requires managers to assess the following criteria:

- 1. Quality of service** - we consider some of the measurements within this section to be 'baseline' criteria. This includes factors such as:
 - a. ensuring third-party services supporting the funds' operations are sufficient and meeting the expectations of both investors and the UK OEIC.
 - b. being readily available to investors, for example by phone, post, fax or online.
 - c. having a website that is accessible to all investors, which provides a variety of information to enable investors to understand the funds offered for investment.

- 2. Performance** - how each fund has performed, net of charges, over the past year and over the time period referred to in the fund's objective.

- 3. Annual Fund Management (AFM) costs** - highlighting the fund's charging components and whether these are appropriate.

- 4. Economies of scale** - the extent to which economies of scale have been achieved and whether they have been passed on to investors.

- 5. Comparable market rates** - how the fund's charges compare to similar funds in the industry.

- 6. Comparable services** - to ensure a consistent pricing structure is applied for similar funds at Aegon Asset Management UK plc.

- 7. Classes of units** - whether share classes, and their associated charges, are appropriate and available for investment.

- 8. Other considerations** - we assess other criteria that we consider are important in the assessment of each fund to ensure we conduct a comprehensive oversight in the interests of investors. Examples include liquidity and ESG considerations (see page 5 for ESG definition).



Overview of 2024 Assessment

Assessment of Value per fund per category is summarised in the table below. Where the Overall Fund Assessment is Green, it reflects the fund provides good value for its investors across all categories. An Amber assessment is where a fund provides value but room for improvement in one or more category. An overall assessment of Red means the fund is not providing value for investors and action is required.

There were no funds deemed 'not providing value' in this given period.

| Fund | 1. Quality of Service | 2. Performance | 3. AFM costs | 4. Economies of Scales | 5. Comparable market rates | 6. Comparable services | 7. Classes of unit | 8. Other (liquidity) | Overall Fund rating |
|---------------------------------------|-----------------------|----------------|--------------|------------------------|----------------------------|------------------------|--------------------|----------------------|---------------------|
| Aegon Diversified Monthly Income Fund | Green | Green | Green | Green | Green | Green | Green | Green | Green |

Quality of Service: following a change in transfer agent for the UK OEIC, we saw a dip in service related to the launch of a new digital transfer agent platform as evidenced with an increase in the number of complaints. We took several immediate actions that has seen the service improve and we continue to monitor, and fine tune, to optimise the client experience.

Number of complaints is one of many indicators we assess under Quality of Service. Indicators are either fund-specific or non-fund-specific. Complaints related to the user experience of the transfer agent's platform are non-fund specific. In the table above, we are pleased to report that all fund-specific indicators are rated Green.

Performance: we recognise that investment performance is only one element of our overall framework for assessing whether our products are offering value. Short term performance may fluctuate year-on-year so our assessment focuses on delivery of returns over the recommended long-term holding period, seven years in most cases.

Aegon Diversified Monthly Income Fund

Overall Value Assessment

The Board of Directors' assessment is that the fund provides good overall value for its investors.

1. Quality of Service

The Board of Directors believe that, based on the areas assessed, the fund offers a good quality of service.

2. Performance

The investment objective is to generate income with a target yield of approximately 5% per annum with the potential for capital growth over the medium term (being any five-year period).

The Fund sits within the Investment Association Mixed 20-60% sector and this may be used for comparison purposes. The sector is comprised of funds with a similar investment composition, but the approach to multi-asset investing and the investment objectives themselves will vary markedly throughout the peer group.

The Board of Directors have determined that the fund has achieved its investment objective as stated above as well as outperforming the peer group sector median

Performance commentary - 12 months to 31 July 2024

The Aegon Diversified Monthly Income Fund returned 11.9% over the period.

Central bank sentiment and inflation were the main drivers of markets over the period. Up until the end of 2023, central banks remained cautious in terms of talking about interest rate cuts. From this point onwards, however, the banks' tone was more dovish, and it was a case of when, not if, rate cuts were coming. The ECB subsequently cut rates in June, with the UK expected to follow later in the summer. In contrast, the Bank of Japan increased interest rates for the first time since 2007, ending their negative interest rate policy.

Inflation followed a downward trend, save for the occasional surprise to the upside, but across regions the inflationary landscape was generally encouraging for markets. The US economy was stronger as we moved through the first few months of 2024 which led to expectations of Federal Reserve rate cuts to fall by the end of March from six to around three.

Both government and corporate bond markets performed strongly over the period. Equity markets rallied after the central banks turned dovish, with the US market outperforming the rest of the world. In sector terms, the standout performer was technology which continued its impressive run, driven by the excitement around AI related names and the much talked about 'Magnificent Seven' in the technology sector. The financial sector also had a solid period as it enjoyed the elevated interest rate environment. In contrast, defensive utilities and consumer staples lagged, along with materials, although both were still positive overall.

All fund components contributed positively, albeit some asset classes did better than others. Fixed income and equities saw solid returns, but real assets lagged somewhat.

Our fixed income component added value over the period. Despite an environment of rising government bond yields in the second half of the period, our lower duration exposure meant we were able to avoid a lot of the negative impact. At the same time, corporate bonds performed well, which was beneficial for fund performance and again helped to shield returns from the negative impact of rising government bond yields. Our exposure to bank credit, in particular European banks, did well. European banks benefited from strong financials and tailwinds from higher rates.

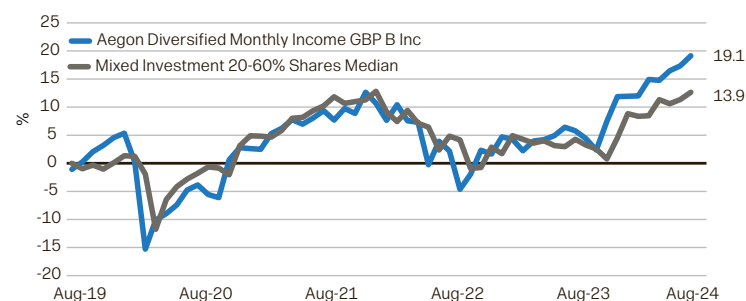
Within our equity exposure technology names TSMC, Broadcom and Microsoft were among the top contributors, mostly due to AI related excitement. Elsewhere, housebuilders Taylor Wimpey and Sekisui were also notable positives. A few financials names also supported overall returns with DBS Group Holdings and Phoenix Group adding value. Pharmaceutical names Pfizer, Astellas and Johnson and Johnson all detracted, and we subsequently exited our positions in Pfizer and Astellas.

Despite volatile conditions, our listed real estate and listed infrastructure allocations were positive, with sustainable infrastructure investor 3i Infrastructure, and utility name SSE acting among the top positive contributors. However, the renewable energy allocation very slightly detracted and Greencoat Renewables, along with utility name EDP, were among the top detractors for the period.

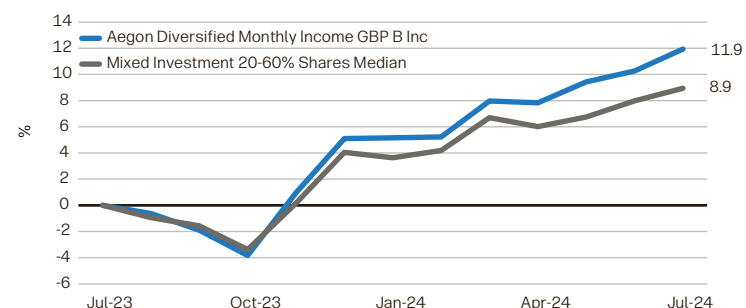
Below is a link to the latest factsheet for the fund.

www.aegonam.com/diversifiedmonthlyincomefund

5 year performance chart



1 year performance chart



3. AFM Costs

There are no entry costs, exit costs or performance fees associated with this fund. Below are the costs incurred by an investor in each share class of the fund:

| B share class (%) | |
|--------------------------|------|
| Annual Management Charge | 0.55 |
| Additional Charges | 0.03 |
| Ongoing Charges | 0.58 |

The Board of Directors believe that the charges are justified in the context of the overall value delivered to the investors in the fund.

4. Economies of Scale

The Board of Directors have assessed economies of scale ('EoS') for the fund considering various factors, in line with our value assessment framework. The Board of Directors believe that there are two key areas where benefits can be delivered to investors, namely a) global organisational structure and b) efficiencies due to increasing fund size.

Aegon Asset Management is a global organisation whereby pooled research, pooled resources and mainly globally negotiated vendor contracts are utilised. In the absence of being part of a global structure, the fund would be likely to have higher costs.

The Board of Directors believe that, with more assets in the fund, benefits can be passed on to fund investors (current size around £869 million). Certain legal, regulatory and administrative costs are fixed (i.e. not directly related to fund size) and are directly charged to the fund. Therefore, with increasing fund size, the relative impact of these costs is reduced.

We do not believe there are sufficient benefits to reduce the already competitive Annual Management Charge ('AMC'). However, as part of the annual value assessment, we will continually review the position and pass on benefits to investors where possible.

5. Comparable Market Rates

The Board of Directors compared the fund's AMC and Ongoing Charges Figure ('OCF'), at a share class level, against other relevant funds within the same Investment Association peer group.

Both AMC and the OCF are significantly below the Investment Association sector median. The Board of Directors' decision to absorb significant costs into its own cost base, namely the Transfer Agent and Fund Accounting costs, which is more favourable to investors than normal market practice, has contributed to a reduction in the additional charges. Investors can see this when they compare the fund to similar funds managed by other providers.

The Board of Directors believe that the fund's costs are fair, reasonable and very competitive.

6. Comparable Services

The Board of Directors believe that we are charging a consistent price for this strategy when compared to our offering in different markets.

7. Classes of units

The Board of Directors believe the share classes available for this fund and the associated charges are fair and appropriate.

8. Other considerations

We recognise that it is important for investors to be able to buy into and sell out of the fund without any liquidity obstacles. Therefore, providing liquidity to investors is an important input to the overall value offered by the fund. We believe this fund offers reasonable liquidity to investors.

Aegon Asset Management UK plc assesses fund liquidity levels under both normal and stressed liquidity conditions. We consider multiple factors including sector, region, credit rating, market capitalisation and bid/ask spreads when reviewing fund liquidity. This assessment is done in conjunction with consideration for investor concentration levels, investor type, performance levels, market events and collateral requirements when assessing fund liquidity levels, so there is a holistic understanding of the liquidity profile.

Under stressed liquidity environments, we convene daily liquidity meetings covering market liquidity, valuations, flows and potential outflows to proactively manage liquidity. Processes and procedures are in place to manage suspensions and return proceeds to investors as soon as possible.

We are also very active in the Corporate Governance of the securities held by the fund. We vote on all resolutions on behalf of the fund, and actively vote against proposals where we believe they are not in the best interests of our investors.

The Board of Directors believe that there is nothing to declare to investors from the assessment of other considerations.

This document does not constitute financial advice. If you do need advice on the information provided in this document you may wish to talk to an independent financial adviser.

Past performance is not a guide to future performance. Outcomes, including the payment of income, are not guaranteed.

Source: Lipper, as at 31 July 2024, B Inc (GBP) share class, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges.

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 five-year period to provide the most useful medium term comparison.

Contact us

For prospective Shareholders - correspondence to be via the ACD's "please contact us" link available on the ACD's online Portal.

For all other Shareholders - correspondence to be via the ACD's on-line Portal unless separately agreed. A link for the ACD's online Portal is located at the ACD's website www.aegonam.com.

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.

All data is sourced to Aegon Asset Management UK plc unless otherwise stated. In most instances the data sourced is as at 31 July 2024.

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

Exp. date: 30 November 2025