

Aegon UK Equity Absolute Return Fund Value Statement

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

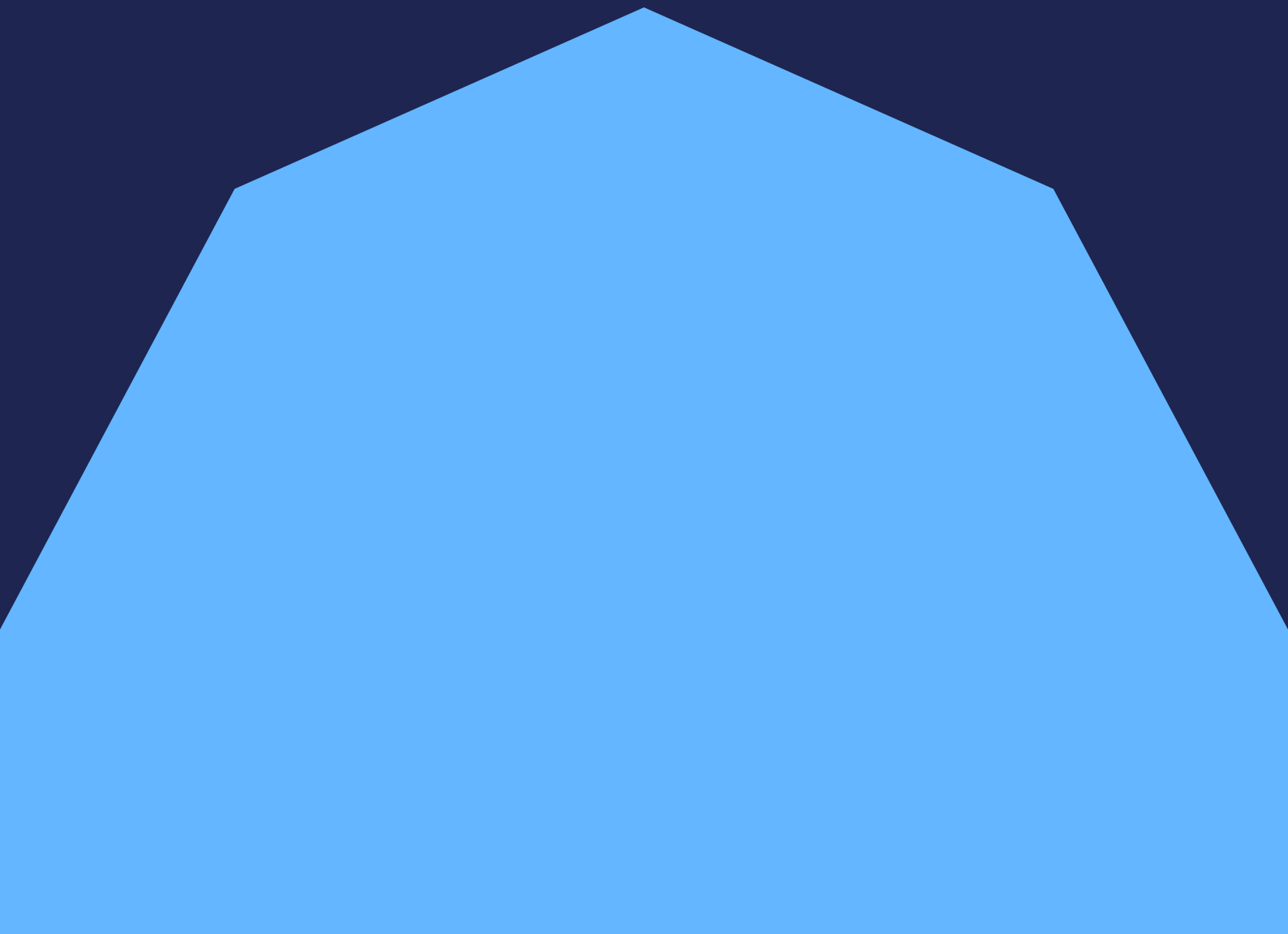






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A note from our Board of Directors

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 UK Equity Absolute Return Fund	Green	Amber	Green	Green	Green	Green	Green	Green	Amber

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 UK Equity Absolute Return Fund

Overall Value Assessment

The Board of Directors' assessment is that the fund provides value for its investors, however the small fund size raises concern on the commercial viability of the fund going forward and therefore a strategic review is recommended

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 achieve a positive absolute return over any 36-month period in all market conditions.

We also compare the fund's performance against the Sterling Over Night Index Average (SONIA) 1 Month. Comparison against this rate will allow investors to determine whether the fund has delivered total returns in excess of cash. SONIA gives an indication of what a cash investment could have provided.

The comparison should be performed over at least a 36-month period to provide the most appropriate comparison.

The Board of Directors have determined that the fund has met its investment objective as stated above but underperformed SONIA.

Performance commentary - 12 months to 31 July 2024

The Aegon UK Equity Absolute Return Fund returned 7.3% compared to 5.3% for the SONIA 1-Month benchmark.

UK equities enjoyed good absolute returns, with the FTSE All-Share returning 13.5%, although this lagged broad global equity benchmarks. Macro factors continued to drive markets over the period, with investor sentiment closely tied to inflation and interest rate expectations. The Bank of England increased interest rates by 0.25% in August 2023 to 5.25%, as UK inflation, whilst trending downwards, remained higher than most other developed markets. This seemed to have the desired effect, as inflation fell sharply through the rest of the period, eventually reaching the bank's 2% target. It was in quarter four of 2023 that investors really started to gain confidence that rates had peaked and would likely start to retreat in 2024. This change in expectations sparked a sharp rally in UK stocks, particularly small and mid-caps, which started to bounce back from previous weakness and outperformed their large cap counterparts over the period.

The fund performed well in the generally positive environment with both the Long and Short books adding value. The main modules within the fund - Pair Trades, Best Ideas and Themes - each contributed positively.

Within our Best Ideas module, our positions in Rolls Royce and Spirent added value, with the latter the subject of a cash bid by Viavi Solutions at a significant premium. Spirent is a maker of telecommunications testing equipment.

On the downside, Energy Recovery had an unexpected change of management on top of Middle East concerns, which also impacted our holding of Kornit Digital. Our exposure to Watches of Switzerland also struggled as it fell after announcing a profit warning mid-way through the period

following lower-than-expected demand for luxury goods purchases.

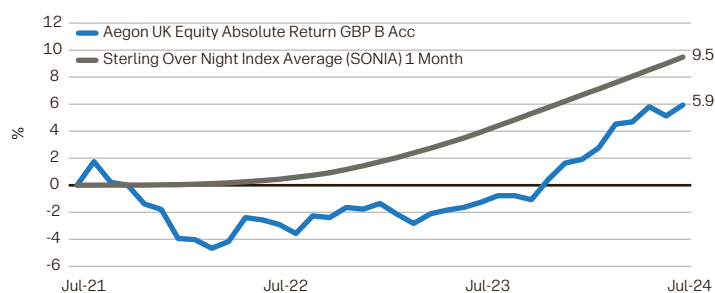
Our Themes module also performed well, due partly to our long US construction theme which, during the second half of the period, benefited from increased infrastructure spend and from the rotation into more cyclical areas of the market. Our long Defence Spend theme also made a positive contribution as budgets and actual spending increased.

Within our Pair Trades module, our banking pair initially worked well before detracting towards the end of the period. In contrast, our consumer staples pair struggled to begin with although towards the end of the period it made a small positive contribution.

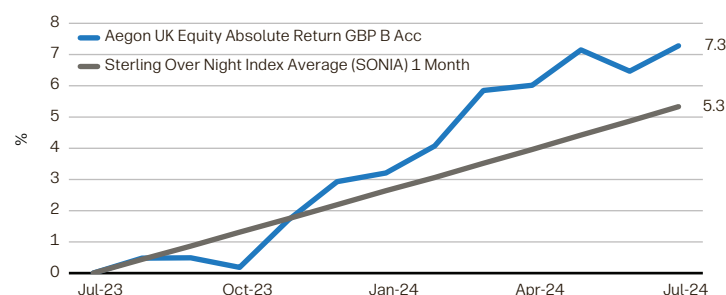
Performance of the fund covering different times periods can be found in the factsheet. Below is a link to the latest factsheet for the fund.

Below is a link to the latest factsheet for the fund:
www.aegonam.com/ukequityabsolutereturnfund

3 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	0.80
Additional Charges	0.13
Ongoing Charges	0.93

The fund has exposure to mid-cap & small cap equities. The fund also uses derivatives for risk management and shorting options. This combination can at times result in higher transaction costs.

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 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 £26 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. As indicated in our overall assessment, the small fund size raises concern on the commercial viability of the fund going forward a strategic review is recommended.

Due to the size of the fund, 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.

The AMC and OCF are slightly above the Investment Association sector median. The difference in OCF is small and the Board of Directors' decision to absorb significant costs into its own cost base, namely the Transfer Agent and Fund Accounting costs, is more favourable to investors than normal market practice.

The Board of Directors believe that the fund's costs are fair, reasonable and 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, 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, 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 Acc (GBP) share class, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges.

Performance comparator: Sterling Over Night Index Average (SONIA) 1 Month. Investors are invited to compare the fund's performance against this index. Comparison against this rate will allow investors to determine whether the fund has delivered total returns in excess of cash. SONIA gives an indication of what a cash investment could have provided. The comparison should be performed over at least a 36-month period to provide the most appropriate 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