

# High Yield: Uncovering Opportunities Amid Uncertainty

Aegon High Yield Global Bond Fund

Tom Hanson, CFA, Head of Europe High Yield

Drescher & Cie. Roundtable

14 December 2022



**REFINITIV LIPPER  
FUND AWARDS**

2022 WINNER  
EUROPE



**For professional / qualified investors.  
This is a marketing communication.**

*Beyond  
borders™*



# Our approach – key differentiators

Past performance does not predict future returns. The information is for informational purposes and readers should not assume that investments in the securities identified and discussed were or will be profitable.



## High conviction stock selection

- Leverage AAM's deeply-resourced global research team including dedicated high yield and distressed analysts
- A bottom-up driven approach, enhanced by a structured top-down framework
- Concentrated portfolio vs index and peers



## Unconstrained to indices

- Index agnostic, investing only where we see value
- Not held hostage to bias and skews found in large global indices
- Flexible mandate: no forced selling or asset allocation changes



## Truly global approach

- Holistic approach investing in opportunities across US, Europe, UK and Emerging Markets
- Dynamic, global asset allocation across regions and ratings
- Ability to generate alpha from cross currency opportunities



**Strong outperformance vs peers and index**

# Global resources, local decision making

## Portfolio management\* | 75 professionals

### Leveraged Finance

14 professionals

### Core Fixed Income, Emerging Markets, Customized Solutions

31 professionals

### Alternative/Structured Finance

30 professionals

## High Yield portfolio management team

### Thomas Hanson, CFA

Head of Europe High Yield  
22 years of experience

Europe

### Mark Benbow

Portfolio Manager  
14 years of experience

Europe

### Spencer Hogeweg, CFA

Portfolio Manager  
15 years of experience

Europe

### Ben Miller, CFA

Co-Head of US High Yield  
28 years of experience

US

### Kevin Bakker, CFA

Co-Head of US High Yield  
18 years of experience

US

### Jim Schaeffer

Global Head of  
Leveraged Finance  
26 years of experience

US

## Global research platform | 47 professionals

### High Yield Credit

12 professionals

### Special Situations and Distressed Credit<sup>1</sup>

5 professionals

### Emerging Markets Debt

9 professionals

### Investment Grade Credit

17 professionals

### Leveraged Loans<sup>2</sup>

4 professionals

## Additional resources | 26 professionals

### Macro Strategy<sup>1</sup>

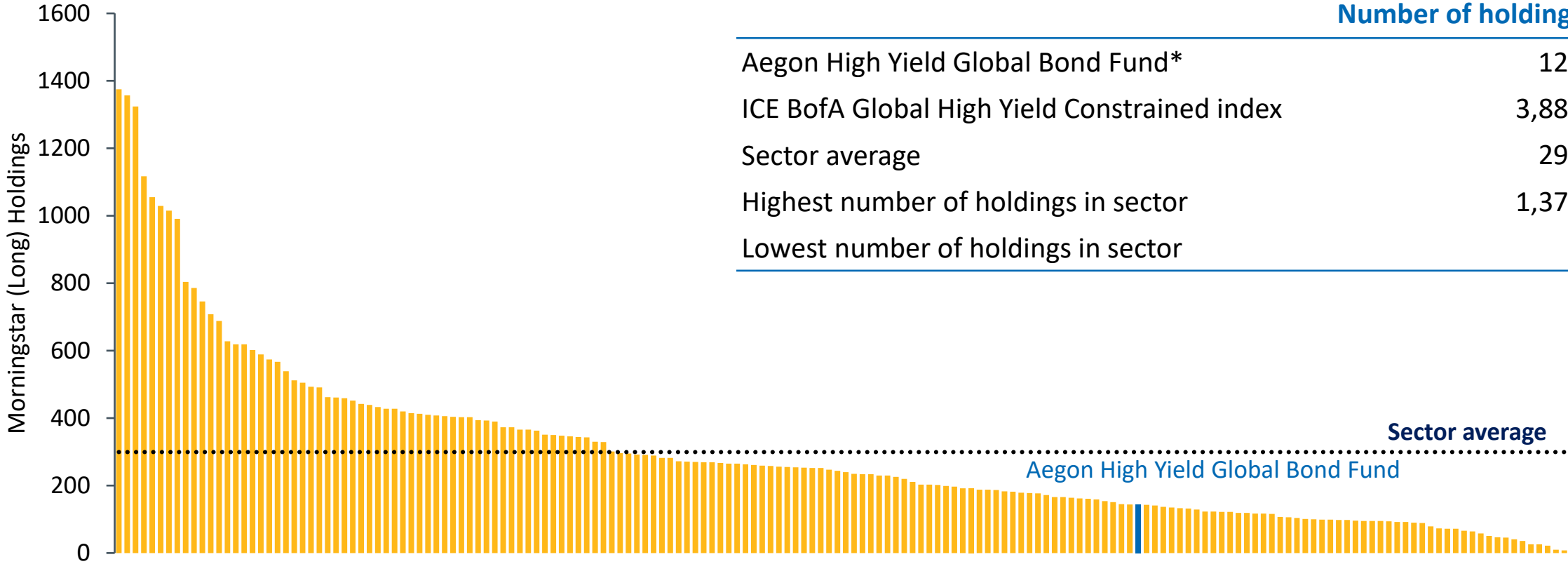
6 professionals

### Responsible Investment

20 professionals

As at 30 September 2022. Personnel may be employed by any of the Aegon Asset Management affiliates. Additional resources includes some teams that may support multiple platforms. <sup>1</sup>May include individuals with dual roles. <sup>2</sup>Includes one industry professional who is contracted on a part-time basis. \*Portfolio management includes a mix of portfolio managers, investment managers and other professionals that may have dual roles. Personnel for this section is as at 1 July 2022.

# High conviction stock selection



Source: Morningstar Direct as at 31 December 2021. \*Aegon High Yield Global Bond as at 30 September 2022. Note: short, long dated bonds and index tracker funds not included, number of holdings is defined as number of holdings (long). Sector: Lipper Global Bond Global High Yield USD. Full list available on request. Excludes funds >2000 holdings.

# We believe in genuine active management

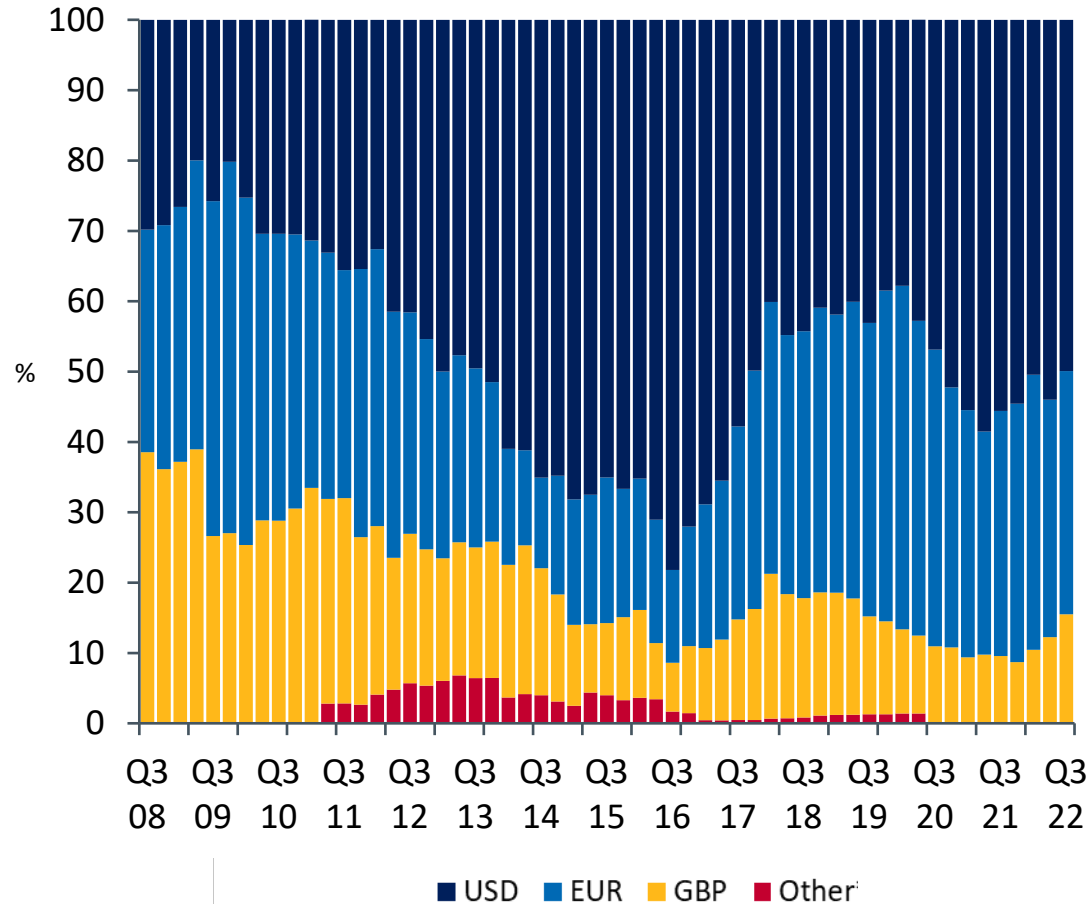
## High yield bond market top 20 issuers – what we own

	Petroleos Mexicanos	x		Petrobras	x
	Ford Motor	✓		Cablevision	x
	Charter Communications	x		TransDigm	x
	Occidental Petroleum	x		Sprint	x
	Teva Pharmaceutical	x		Carnival Group	✓
	Altice France	x		Virgin Media	✓
	Tenet Healthcare	x		Vodafone Group	x
	Centene	x		Dish DBS	x
	Telecom Italia	x		American Airlines	x
	Softbank	x		Electricite de France SA	x

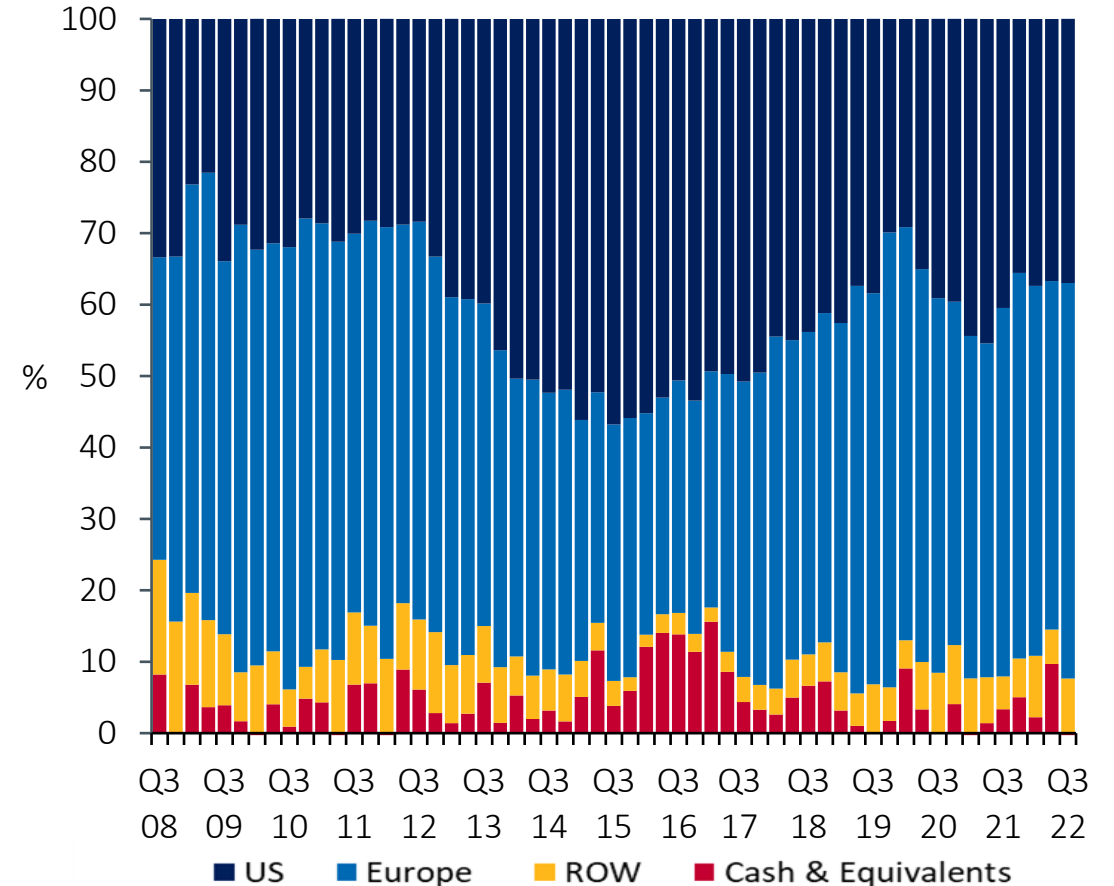
# Active, dynamic portfolio positioning

## Historical portfolio allocation – High Yield Global Bond

### Asset allocation by currency



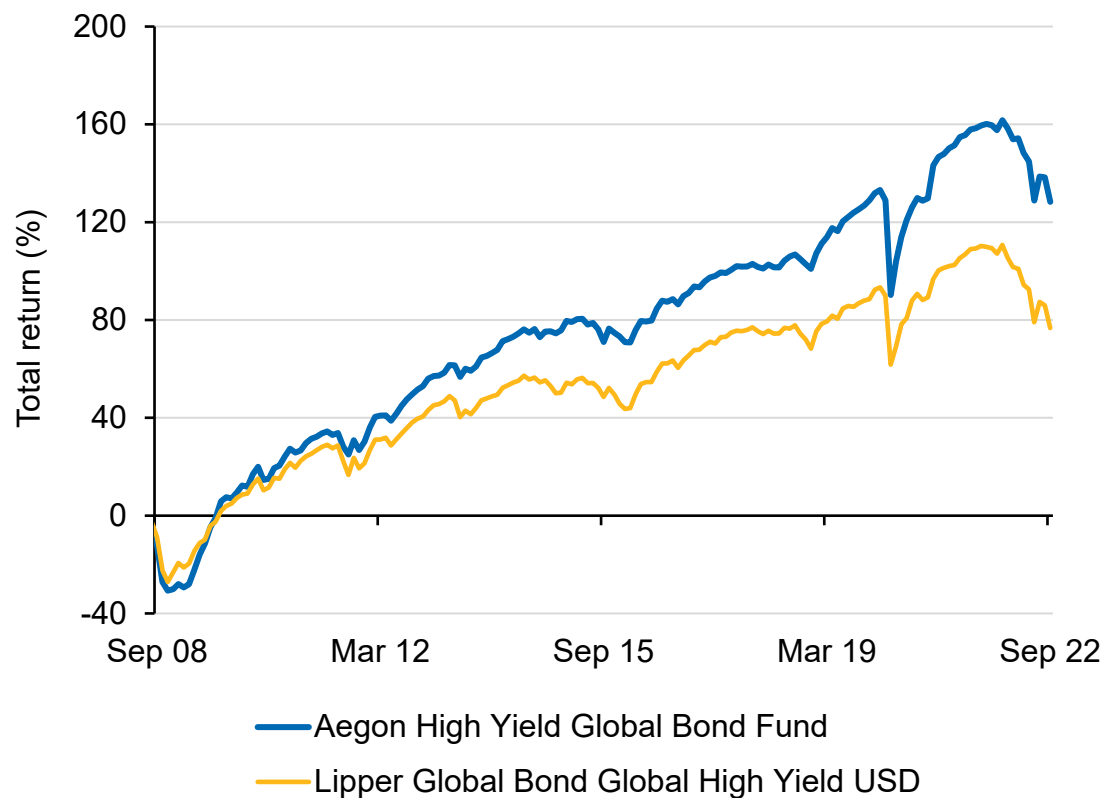
### Regional asset allocation



# Performance

Past performance does not predict future returns.

## Since launch cumulative return



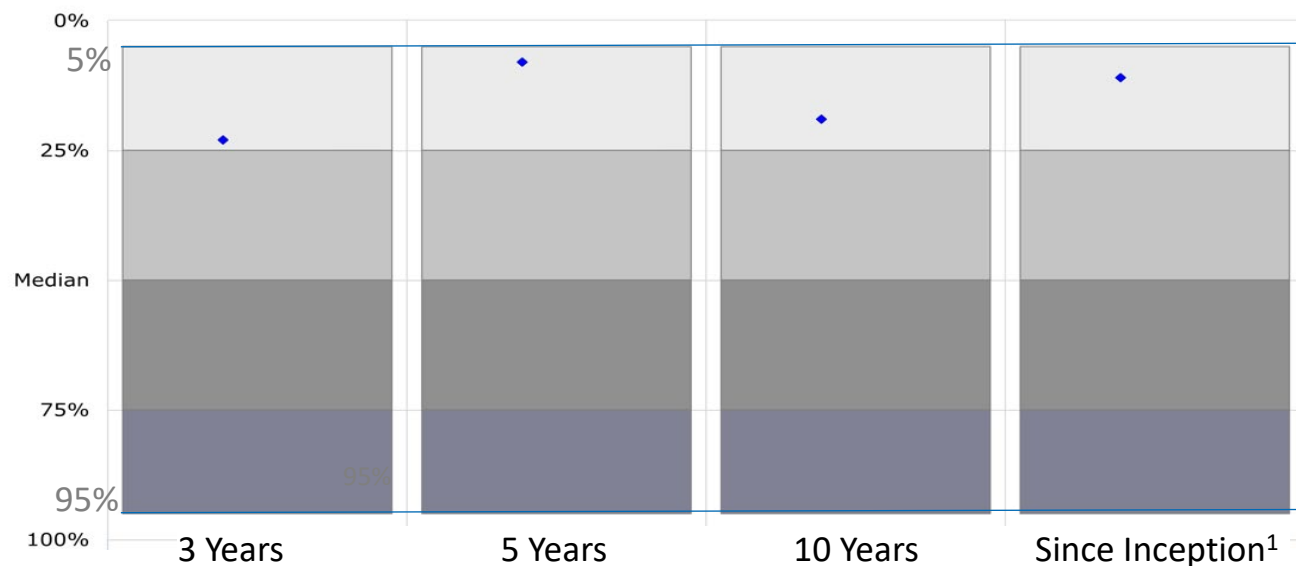
%	YTD	1 Year	3 years p.a.	5 years p.a.	7 years p.a.	Since launch p.a.
B (Inc) USD (net)	-12.8	-12.2	0.5	2.6	4.2	5.4
Sector median	-15.6	-15.7	-2.2	-0.1	2.3	1.3
Benchmark*	-15.7	-16.0	-1.7	0.9	3.8	5.8
Quartile	1	1	1	1	1	1

Source: Lipper as at 30 September 2022. B (Inc) USD shares, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Sector median: Lipper Global Bond Global High Yield USD median. Note: peer group benchmarks have noon prices Compiled using Lipper Primary share classes. Lipper primary share classes are generally the highest charging share classes available and are usually the 'A' retail share classes for Aegon AM funds. \*ICE BofA Global HY Constrained USD Hgd. Quartiles are determined using highest charging share class so may differ from named share class above. Fund launched: 8 November 2007.

# Robust risk-adjusted returns

Past performance does not predict future returns.

## Top quartile information ratios



◆ Aegon High Yield Global Bond B (Inc) USD

### Information Ratios (IR)

30 September 2022	3 Years	% Rank	5 Years	% Rank	10 Years	% Rank	SI <sup>1</sup>	% Rank
Aegon High Yield Global Bond (Gross)	0.70	23	0.78	8	0.47	19	0.27	11
# of Observations (gross returns universe)	74		69		43		18	

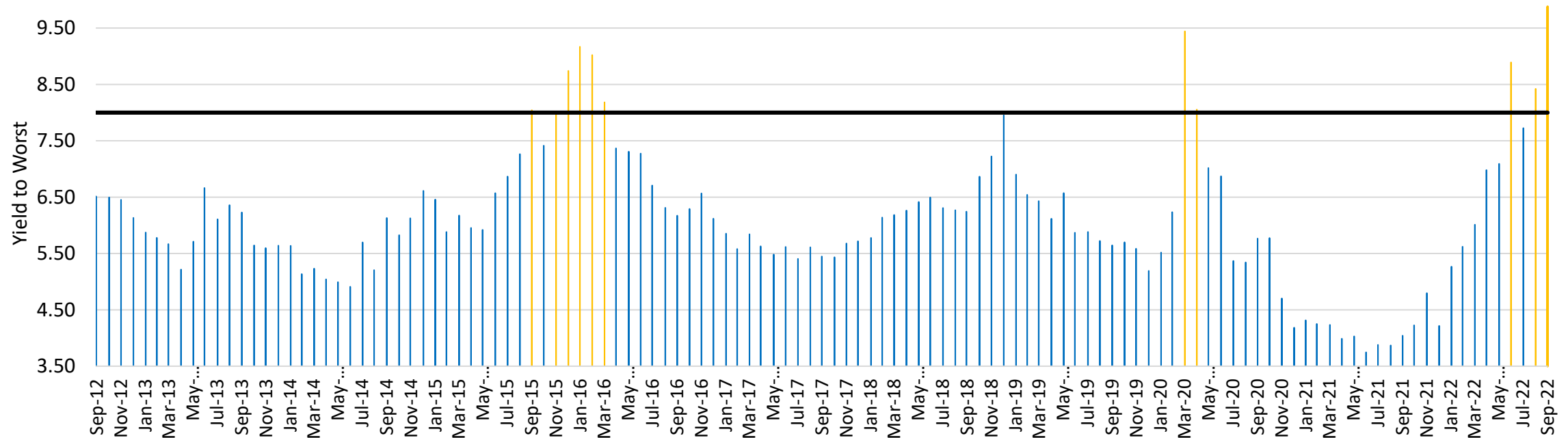
Source: eVestment as at 30 September 2022. Returns greater than 12 months have been annualized. The performance and index information represented was compiled using eVestment Alliance, a source believed to be reliable. However, the firm cannot guarantee the accuracy of the returns and therefore shall not be held liable for inaccurate information obtained from eVestment Alliance. Each segment of the bar chart in the graph represents the corresponding percentile of performance within the peer group, which consists of all eVestment subscribers managing a similar strategy as determined by eVestment and varies depending upon the quarter. The segments represent the performance of the top 5% to 25%, 25% to 50%, 50% to 75%, and 75% to 95% of managers in the peer group. Ranking is based on gross returns and is not indicative of future performance. The eVestment universe is an appropriate comparison because the universe comprises similar strategies. The IR is calculated by eVestment using the Aegon High Yield Global Bond USD B Income share class (gross of fees) relative to the ICE BofA Global High Yield USD hedged index. <sup>1</sup>The inception date is 8 November 2007.



# Why now? Compelling yields, attractive entry points

## High yield bonds have rarely breached 8% over the last 10 years

- Prior to 2022, only 8 months over 10 years offered starting yield to worst  $\geq 8\%$
- Buyers at these points earned above-average subsequent annualized returns:
  - One-year: 18.04% p.a
  - Three-year: 8.38% p.a
  - Five-year: 8.18% p.a



Yields above 8% present attractive long-term total return potential

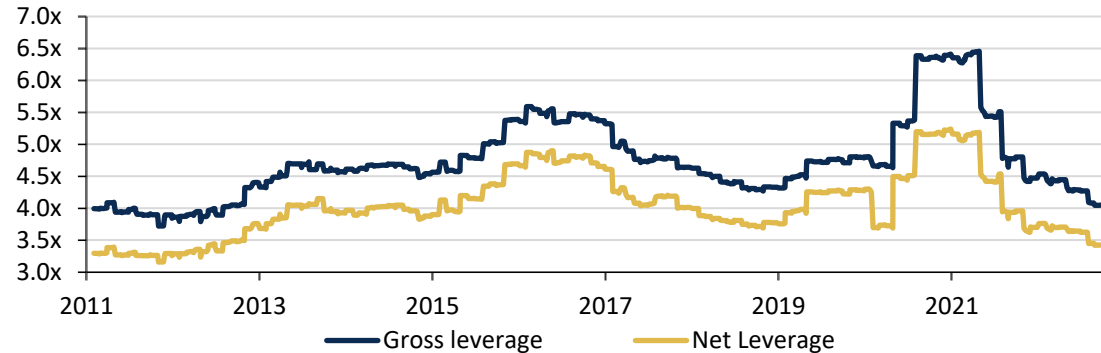
Source: Aegon AM and Bloomberg. Based on monthly Bloomberg US Corporate High Yield Index data from 30 September 2012 – 30 September 2022. Highlights months with a yield to worst above 8%. One-year returns based on eight months in 2015, 2016 and 2020 that had starting yields of more than 8%. Three- and five-year returns based on six months in 2015 and 2016 that had starting yields of more than 8%.

# Why now? Solid fundamentals, low defaults

Past performance is not indicative of future results.

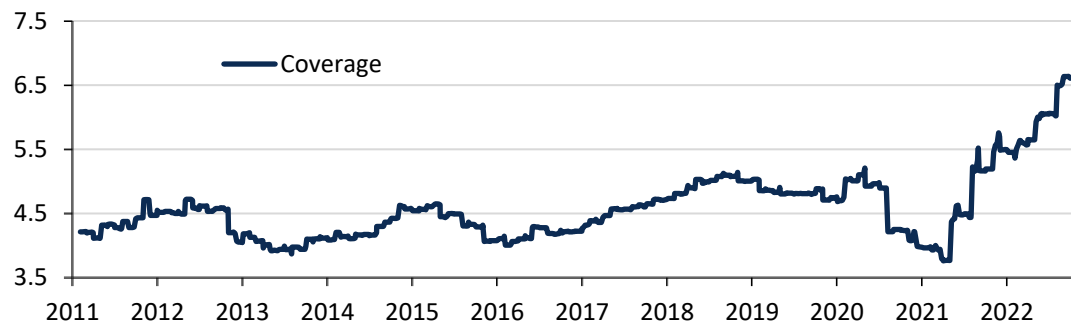
## Leverage has declined; healthy fundamentals entering 2023

Gross and net leverage from BofA Research



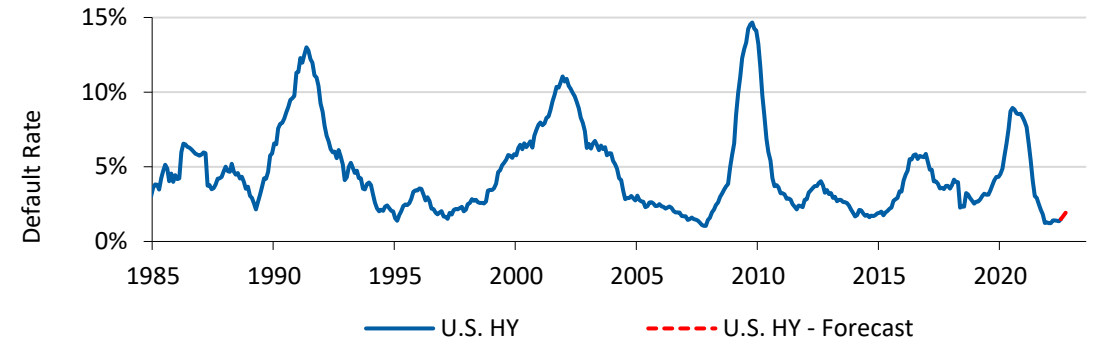
## Interest coverage is at record highs, but will likely decline in 2023

US high yield fundamental metrics from BofA Research



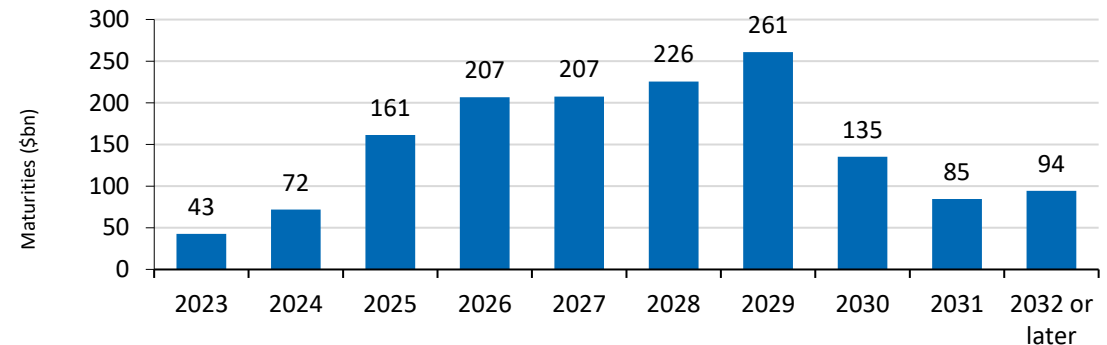
## Defaults rates are forecasted to remain low

Moody's trailing 12-month US high yield issuer-weighted defaults



## Few near-term maturity concerns; manageable in 2023/2024

High yield bond maturity schedule (\$bn) as of 4 November 2022 from JP Morgan



High yield company fundamentals are solid with strong balance sheets and healthy credit metrics

# Summary

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## **Why high yield: Compelling risk-adjusted returns and high income**

- Attractive risk-adjusted return potential with equity-like returns and lower volatility
- High income opportunities vs. many other fixed income assets
- Short duration profile has allowed high yield to outperform amid rising rates



## **Why now: Enhanced yield and attractive relative value opportunities**

- Stable company fundamentals and a subdued default outlook
- Short duration profile and greater spread cushion can help dampen rising rate effects
- Current valuations present compelling entry points at attractive yield levels



## **Why Aegon AM: High-conviction approach has delivered results**

- High-conviction investing supported by in-depth bottom-up research
- Dynamic and active management exploits opportunities across the global high yield market
- Experienced team supported by global resources has generated competitive results

# Important information

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