

# Global High Yield: Uncertainty is Opportunity

March 2022



**REFINITIV LIPPER  
FUND AWARDS**

2021 WINNER  
EUROPE

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



*Beyond  
borders™*

# Global resources, local decision making

## Portfolio management teams | 72 professionals

<b>Multi-Sector, Investment Grade Credit &amp; Structured</b> 18 portfolio managers	<b>Leveraged Finance &amp; Emerging Market Debt</b> 15 portfolio managers	<b>Sovereign Credit, Rates &amp; Currency</b> 12 portfolio managers	<b>Alternative Credit &amp; Private Capital Markets</b> 23 portfolio managers	<b>Customized Solutions &amp; Insurance Asset Management</b> 4 portfolio managers
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## High Yield portfolio management team

**Spencer Hogeweg, CFA**  
 Portfolio Manager  
 15 years of experience  
 Europe

<b>Thomas Hanson, CFA</b> Head of European High Yield 22 years of experience Europe	<b>Mark Benbow</b> Portfolio Manager 14 years of experience Europe
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**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

<b>Credit</b> 27 professionals	<b>Structured</b> 6 professionals	<b>Emerging Markets Debt</b> 6 professionals
<b>Bank Loans</b> 3 professionals	<b>Special Situations and Distressed Credit<sup>1</sup></b> 5 professionals	

## Additional resources | 42 professionals

<b>Macro Strategy<sup>1</sup></b> 5 professionals	<b>Responsible Investment</b> 17 professionals
<b>Portfolio Analysts</b> 11 professionals	<b>Quantitative Solutions</b> 9 professionals

As at 31 December 2021. 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>Includes individuals with dual roles.

# Our high-conviction approach

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We convert uncertainties to opportunities using a research-intensive, high-conviction approach



## High conviction stock selection

- Leverage AAM's deeply-resourced research team: 27 credit research analysts and five distressed analysts
- A bottom-up driven approach, enhanced by a structured top-down framework
- Concentrated portfolio vs index and peers



## Unconstrained to indices

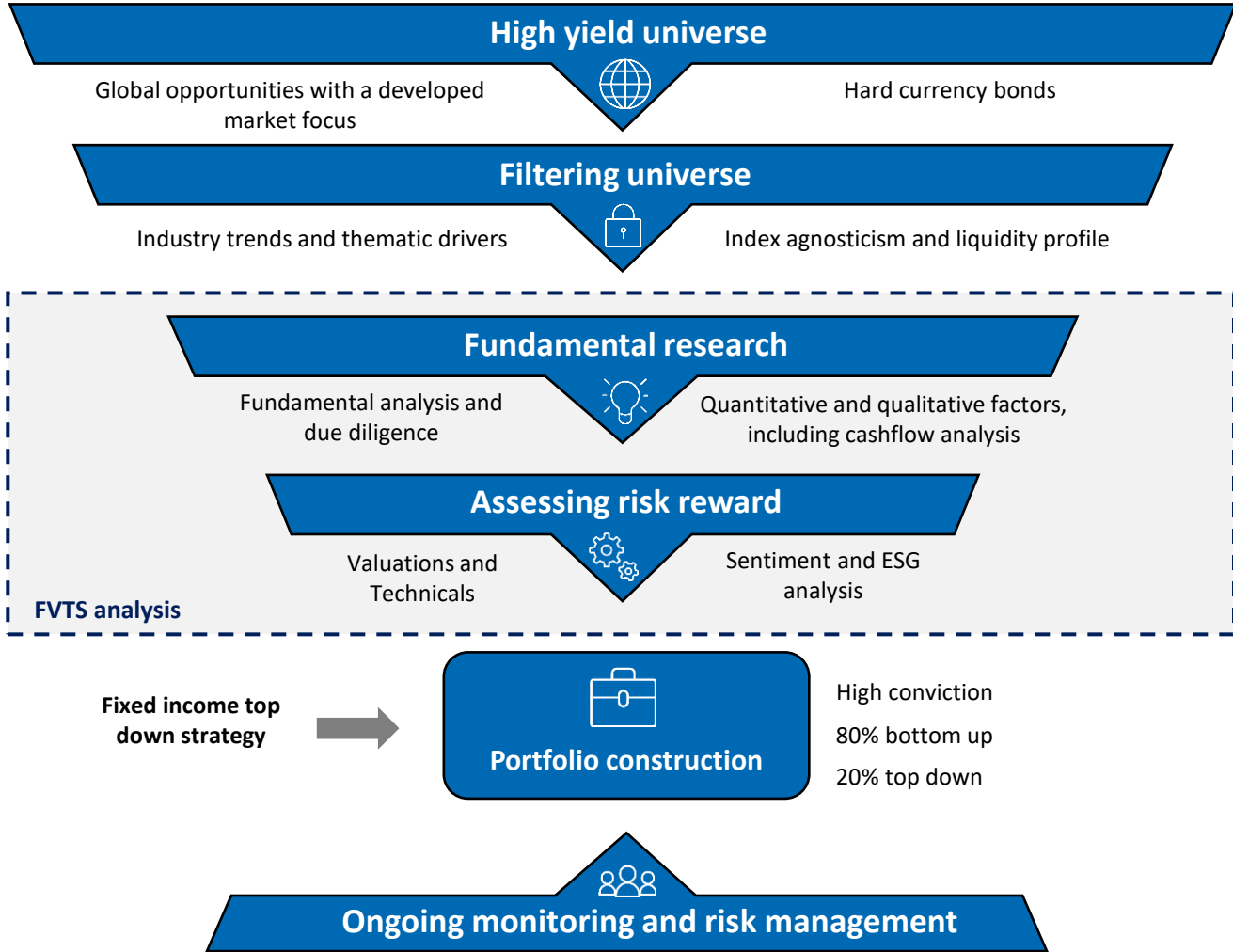
- Index agnostic, investing only where we see value
- Not held hostage to bias and skews found in large global indices
- Flexible mandate: no forced selling or asset allocation changes



## Active management, 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

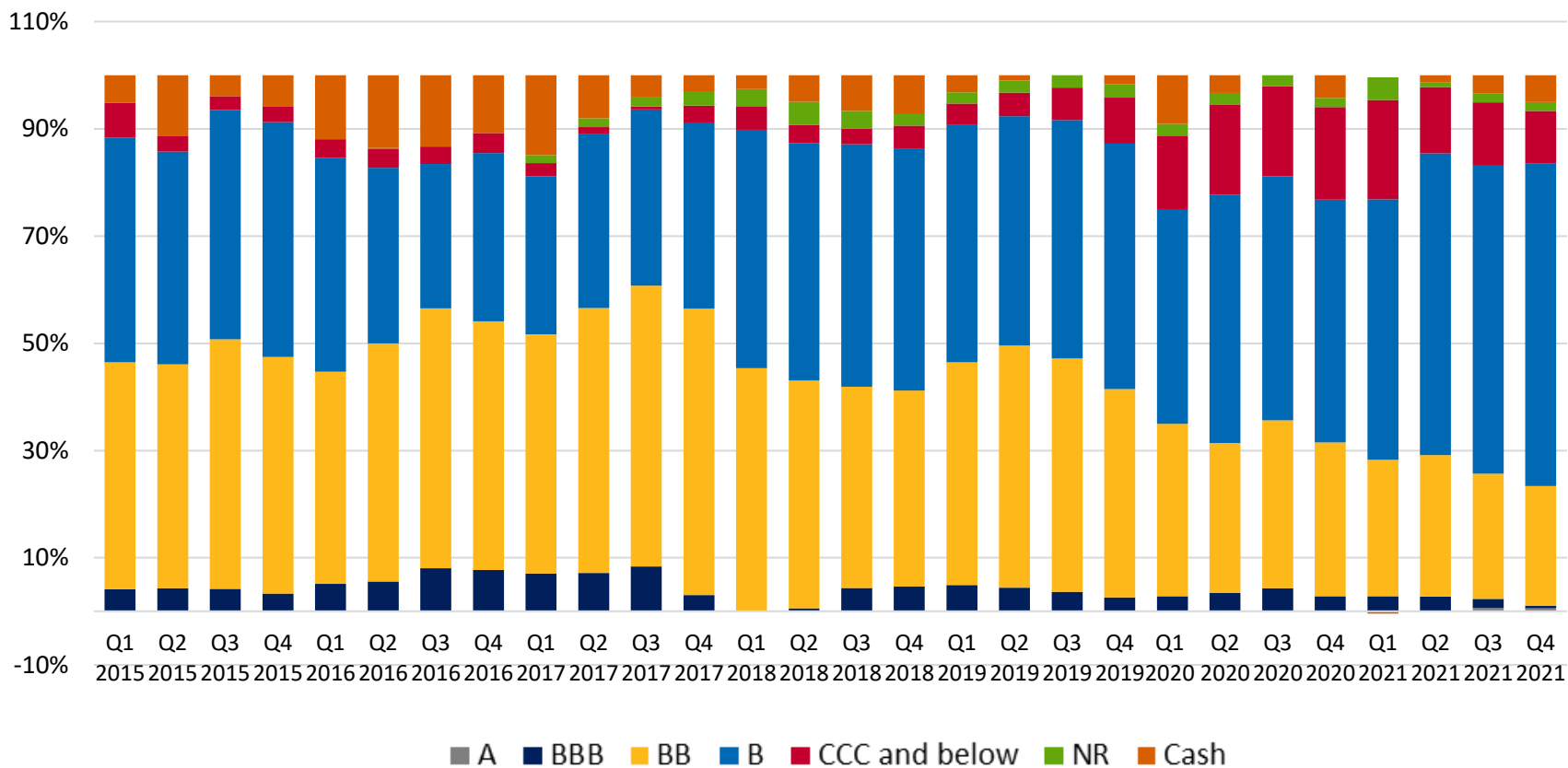
# Our research-intensive investment process



# Active, dynamic portfolio positioning

## Historical portfolio allocation – High Yield Global Bond

### Asset allocation by rating (%)



# We believe in genuine active management

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

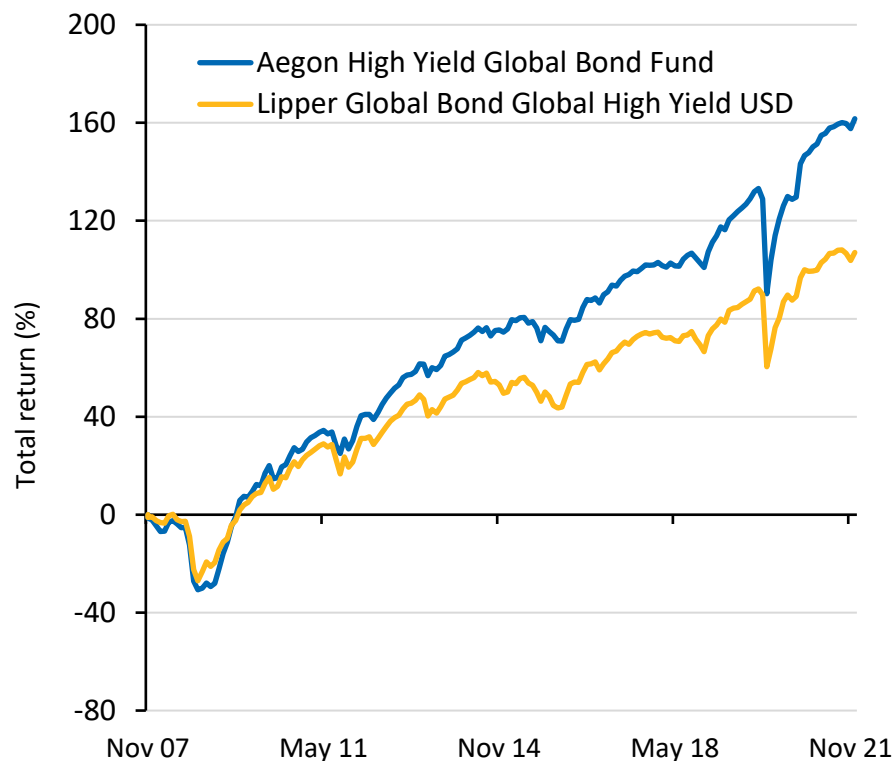
 Petroleos Mexicanos	x	 Altice France	x
 Ford Motor	x	 Sprint	x
 Occidental Petroleum	x	 Centene	x
 Kraft Heinz	x	 Tenet Healthcare	x
 Charter Communications	x	 Electricite de France	x
 Teva Pharmaceutical	✓	 Cablevision	x
 Petrobras	x	 Virgin Media	✓
 Softbank	x	 HCA	x
 Telecom Italia	x	 DISH	x
 Bausch Health	✓	 Carnival Group	x

Source: ICE BofA Global High Yield constrained index as at 31 December 2021

# Our approach has delivered strong long term outperformance

Note: 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.

## Since launch cumulative return



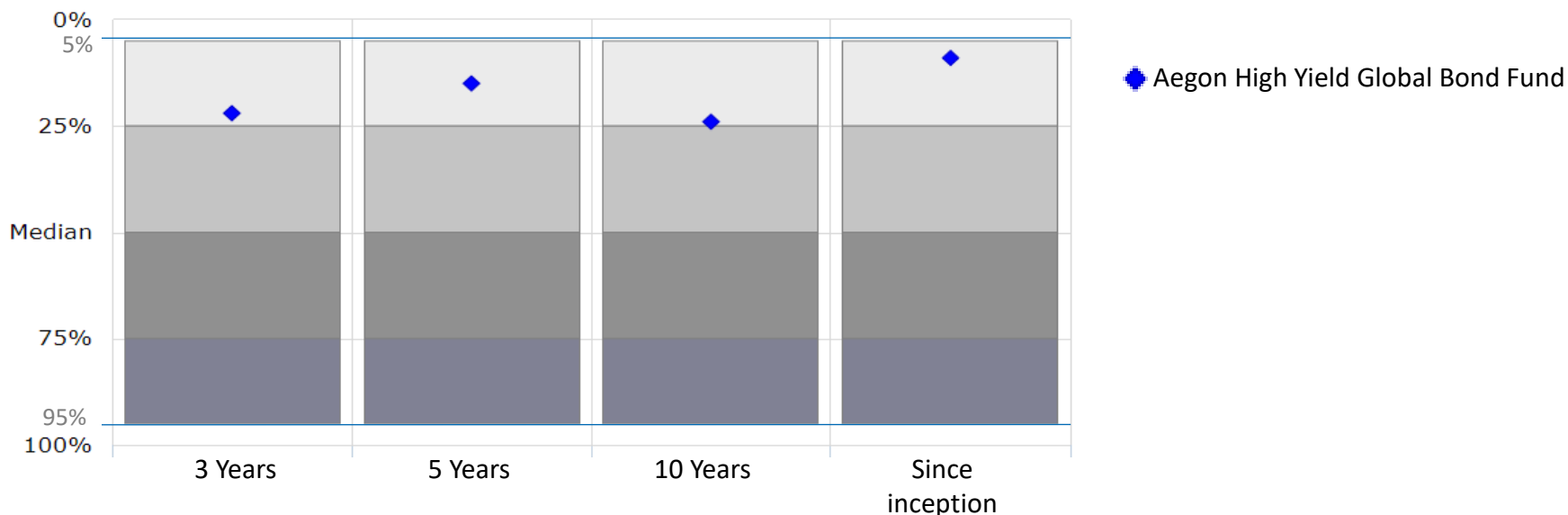
%	1 Year	3 years p.a.	5 years p.a.	7 years p.a.	Since launch p.a.
B (Inc) USD	6.1	9.2	6.6	6.0	7.0
Sector median	2.9	6.5	4.5	4.4	5.3
Quartile	1	1	1	1	1

Source: Lipper as at 31 December 2021. 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. 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

Note: Past performance does not predict future returns.

## Top quartile information ratios



Information Ratios (IR)									
31 December 2021	3 Years	% Rank	5 Years	% Rank	10 Years	% Rank	SI <sup>1</sup>	% Rank	
Aegon High Yield Global (Gross)	0.59	22	0.48	15	0.52	24	0.31	9	
# of Observations (gross returns universe)	82		73		43		24		

Source: eVestment as at 31 December 2021. 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. <sup>1</sup>The inception date is 8 November 2007.



# Benefits of high yield in the current environment

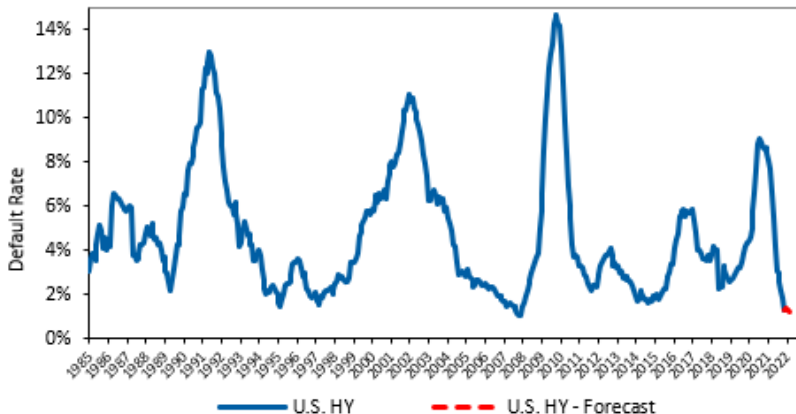
Note: Past performance does not predict future returns.

## Three factors favoring high yield

- **Strong fundamentals, low defaults:** Healthy company fundamentals should keep defaults low
- **Lower interest rate risk:** Short duration profile and competitive performance amid rising rates
- **Enhanced yield, attractive entry point:** Valuations are becoming more attractive and enhanced yield provides compelling relative value

## High yield defaults are near historic lows

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



As at 31 December 2021. Sources: Defaults data from Moody's. Yield vs. duration chart includes Bloomberg indices. Returns in various rate environments reflects index data sourced from Aegon AM and Morningstar based on month data and rate changes over the trailing 12 months. Falling periods are described as when the Barclays US Treasury bellwether 10-year yield fell more than 0.25% since the last period. Rising periods were when the 10-year yield increased more than 0.25% since the last rolling period. Flat periods are described as when the 10-year yield did not increase or decrease by 0.25% since the last period.

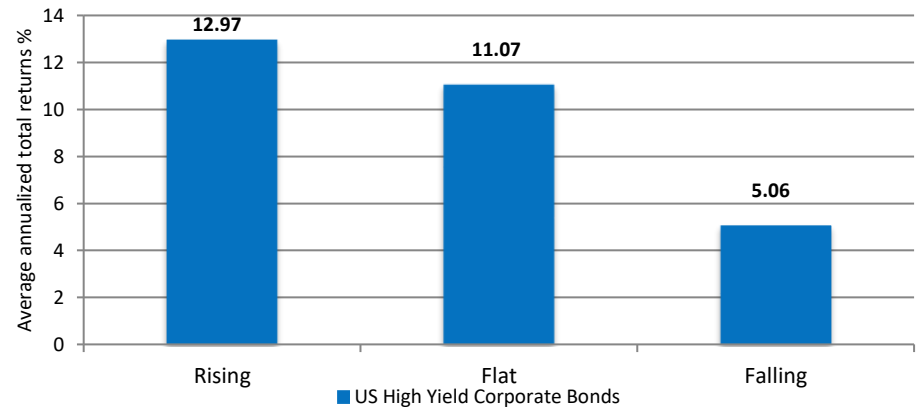
## Global high yield bond yields are now around 6%

ICE BofA Global High Yield Index Yield to Worst as at 28 February 2022



## High yield has performed well in rising rate environments

Average annualized returns January 2002 – December 2021



# Uncertainty is opportunity

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## Volatility presents opportunities...

- Recent repricing presents compelling opportunities
- Rigorous bottom-up credit research is critical
- Volatility and market dislocations present opportunities for managers to differentiate themselves

## ...our high-conviction approach adds value

- Relying on our disciplined and repeatable process
- Leveraging our agile and active approach
- Partnering with research and risk teams to mitigate downside risk and avoid problem credits
- Capitalizing on recent weakness to add exposure to high-conviction ideas
- Emphasis on security selection to generate alpha
- Complemented by a structured top-down approach

# Appendix

# Aegon High Yield Global Bond Fund overview

## Fund details

<b>Portfolio Managers</b>	Thomas Hanson, Mark Benbow
<b>Inception date</b>	8 November 2007
<b>Overview</b>	The fund invests across the high yield credit quality spectrum
<b>Comparator peer group</b>	Lipper Global Bond Global High Yield USD
<b>Reference benchmark</b>	ICE Bank of America Global High Yield Constrained Index
<b>Share classes</b>	USD, EUR, GBP and others available

## Opportunity set

High yield bonds	80-100%
Investment grade bonds	0-20%
Emerging market bonds	0-20%

## Holdings guidance

Number of holdings	Typically 90 - 140
Typical position size	0.5% - 3.0%

## Ratings limits

BBB	Max 20%
CCC & below	Max 20%

# Important information

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