

Why perfect is the enemy of good

Aegon Global Sustainable Equity Fund

15 October 2021

Andrei Kiselev – Investment Manager, Global Equities



*Beyond
borders™*

Hilfe über Grenzen hinaus



Wir freuen uns, dass wir wieder an physischen Veranstaltungen teilnehmen und unsere Kunden in einer COVID-19-sicheren Umgebung persönlich treffen können.

Wir verzichten nun bei derartigen Treffen und Veranstaltungen auf Werbegeschenke und unterstützen stattdessen die weltweite Corona-Impfkation „Vaccines-for-all“ der UNICEF mit einer Spende.

„Vaccines-for-all“

Bis Ende 2021 will UNICEF zwei Milliarden Impfdosen in arme Länder liefern. Die logistischen Vorbereitungen, um diese historische Mammutaufgabe zu stemmen, laufen bereits auf Hochtouren. Kinder werden zwar nicht gegen das Coronavirus geimpft, trotzdem ist diese weltweite Impfkation für sie von entscheidender Bedeutung.

Klicken Sie hier, um weitere Informationen über diese Impfkation zu erhalten: www.unicef.org/vaccines-for-all

Introducing Aegon Asset Management

Global client base

- Serving clients in Europe, the Americas and Asia
- Institutional, intermediary and wholesale markets

Investment offerings

- Research-driven active management
- Expertise in fixed income, real assets, equities, multi-asset & solutions
- Multi-management
- A responsible investment leader

Deeply-resourced

- Approximately 1,200 employees
- Approximately 370 investment professionals

A sustainable business

- Carbon-neutral since 2016¹

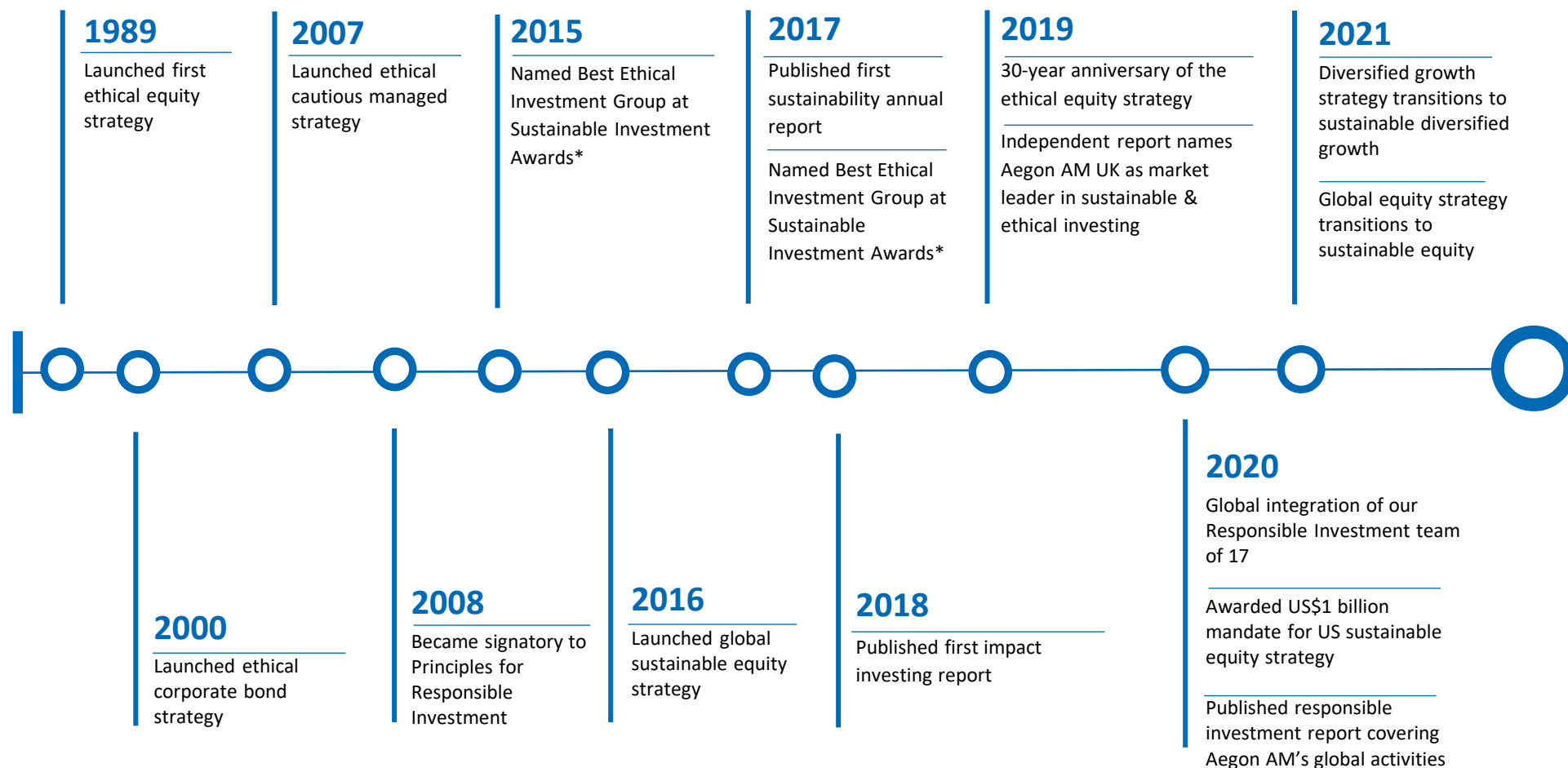
Assets under management/advisement

- \$463.8 billion (€391.1 billion / £336.1 billion)



As of June 30, 2021. ¹Reflects principal Aegon N.V. operations in the Netherlands, US and the UK. We achieve carbon neutrality by reducing facility-level emissions and supporting offset projects in cooperation with ClimateCare. Please refer to the disclosures in the appendix for more details.

Aegon AM UK's responsible investment history



*Responsible Investment Review, 2019, Research in Finance. On 7 September 2020 the Kames Capital brand was retired to align global capabilities around the Aegon AM brand.

Context: the need for improvement

The scale of global sustainability challenges

These will not be solved in one leap

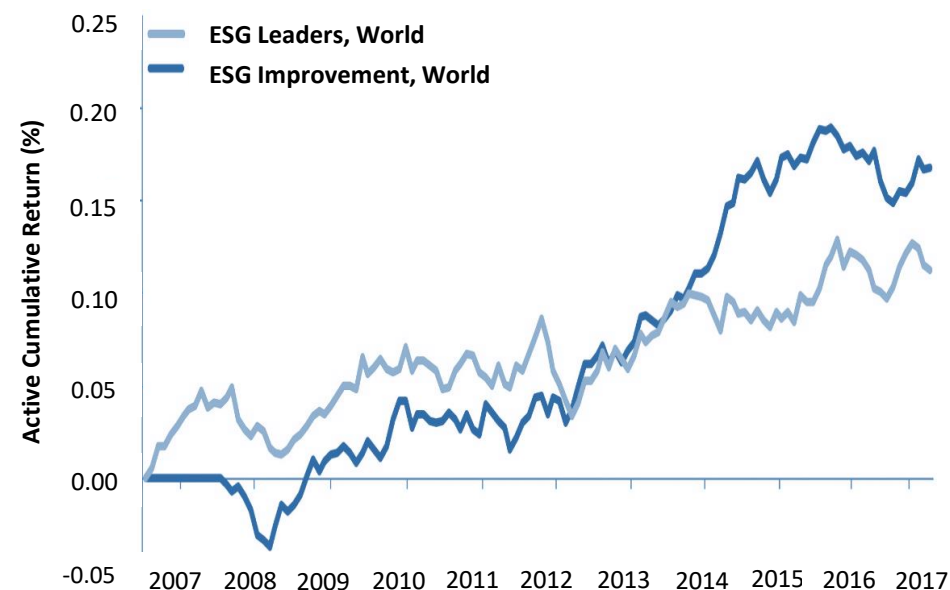
- **\$1 trillion:** Estimated investment needed in clean energy for foreseeable future
- **2 years:** Water used in the garment production process could fill the Mediterranean Sea every 2 years
- **8x:** Number of times higher infant mortality rate is in Africa than in Europe
- **10 million:** Estimated cancer deaths globally in 2020

Sustainability improvement is a potential alpha source

- Sustainability improvement has been shown to outperform sustainability leaders
- We incorporate both 'leaders' and 'improvers', focus on 'improvers'
- Sustainability improvement typically leads to a better performance and valuation re-rating

ESG: Absolute ('Tilt') and Improvement ('Momentum') Strategies



Active Performance vs. MSCI World Index



The identification of 'leaders', 'laggards' and 'improvers' is based on Aegon AM UK's assessment of a company's sustainability of its products and practices. In the above example, Aegon AM UK believes Tilt strategies to be reflective of leaders, and Momentum strategies to be reflective of improvers against the MSCI World Index from February 2007 to February 2017. Tilt represents the performance of 'Best in class' top quartile ESG companies in the MSCI World Index relative the MSCI World index itself. 'Momentum' represents the performance companies in the MSCI World Index with 'improving ESG metrics' vs the MSCI World index itself.

Past performance is not indicative of future results. All investments contain risk and may lose value. There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies. Indices are unmanaged and unavailable for direct investment.

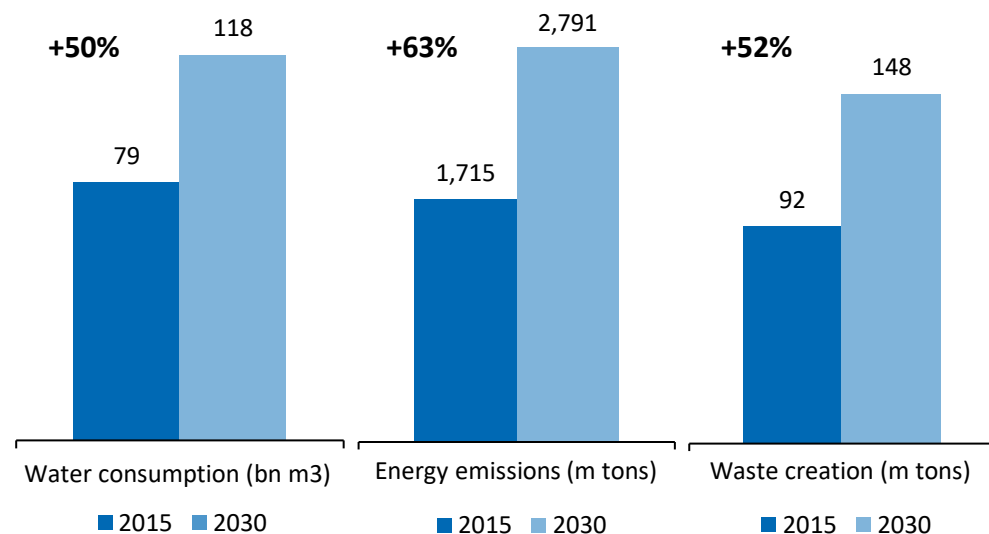
Looking beyond the leaders

	The poster child	The uncomfortable 'leader'	The impactful improver
Publishes sustainability report	✓	✓	✗
SDG alignment on website	✓	✓	✗
General disclosure	Strong	Strong	Limited
Governance practices	Strong	Strong	Require improvement
Ratings agency assessment	AAA	A	N/R
			
Product impact	✓	✗	✓

Real impact investing – Kornit Digital

Contributing to a more sustainable garment production industry

Environmental impact of fashion industry is growing rapidly



Source: BCG & CFA. As at 31 January 2020.

Problem

- Fashion contributes 8% of GHG emissions
- Water used in garment production process could fill Mediterranean Sea every 2 years

Solution

- Direct to garment digital printing removes use of water
- Inks used are non-hazardous and biodegradable

Outcome

- ✓ Environmental impact reduced significantly: less water usage, energy consumption and waste
- ✓ Social issues improved as supply chain simplified
- ✓ Strong and sustainable revenue growth, customers include significant industry players



Ratings comparison: Focusing on what matters

ESG Category Product	Material ESG factor identified for Product / Service	Rationale for selecting ESG factor	Score / Rating for the ESG factor
Rating Agency	Overall assessment	<p><i>Disclosure is very poor, signalling inadequate accountability to investors and the public. It lacks policies and programmes to manage risks.</i></p> <p><i>Zero involvement in 'Sustainable product' categories.</i></p>	Severe ESG Risk
Aegon AM UK	Overall assessment	<p><i>Kornit manufactures textile printing machines that utilise a 100% waterless process with no pre-treatments, steaming or washing required. They also produce environmentally friendly inks that are non-toxic and biodegradable. Kornit are providing a disruptive solution to a key sustainability challenge, with the textiles industry accounting for 20% of global wastewater.</i></p>	Improver

Our process: The hard work starts here

Aegon Global Sustainable Equity Fund

Mission	Generate excess returns by investing in sustainable growth companies that have a positive impact
Benchmark	<ul style="list-style-type: none">• MSCI ACWI
Characteristics	<ul style="list-style-type: none">✓ Sustainable - Leveraging sustainable analysis seeking to generate alpha by identifying leadership and improvement✓ Growth - Focusing on innovative and disruptive growth companies✓ Conviction – A concentrated 35-45 stock portfolio with around 98% active share



Andrei Kiselev

Co-manager
12 years' experience



Malcolm McPartlin

Co-manager
19 years' experience



Audrey Ryan

Support Manager
26 years' experience

Three dimensions of sustainability

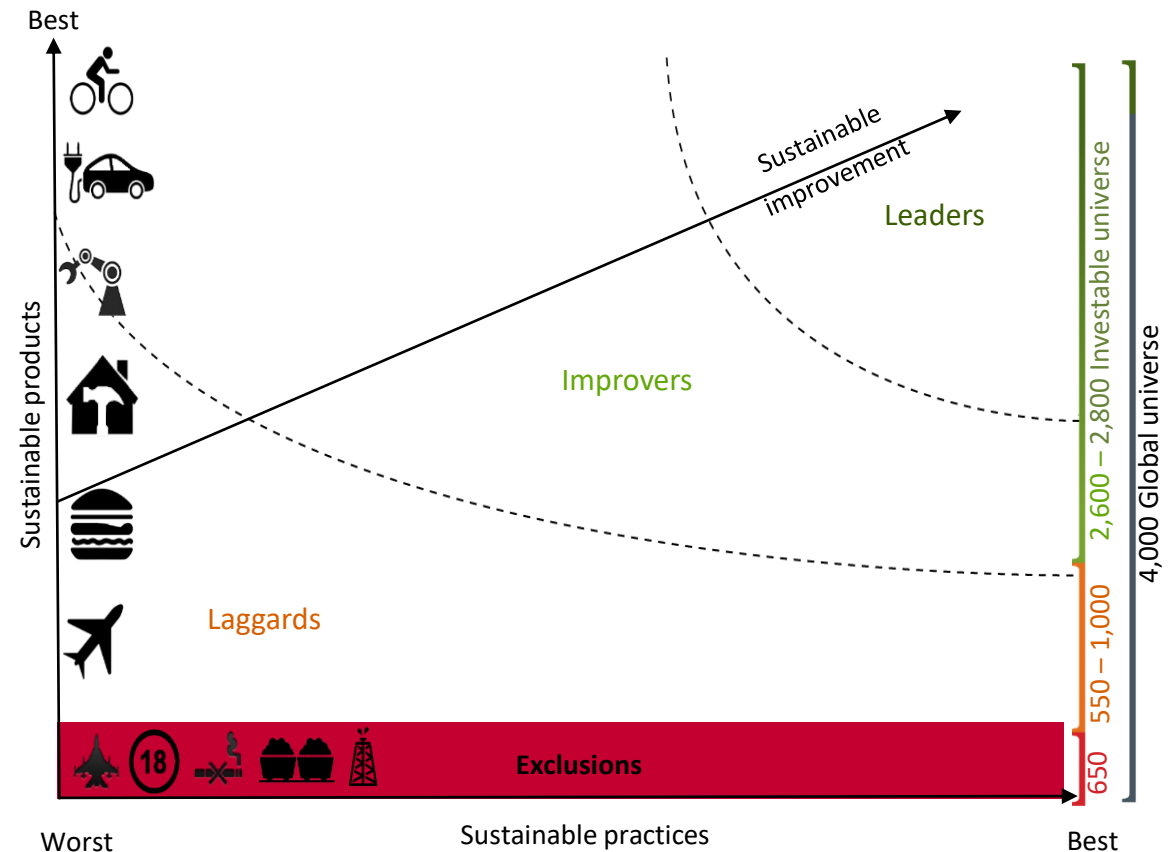
Our comprehensive framework assesses three dimensions of sustainability

Three dimensions of sustainability

- **Products:** What a company does
- **Practices:** How a company does it
- **Improvement:** Track record over time

Differentiated approach

- Identifies leaders, improvers and laggards
- Aligns with multiple sustainability megatrends
- Results in a high-conviction, sustainability-themed portfolio

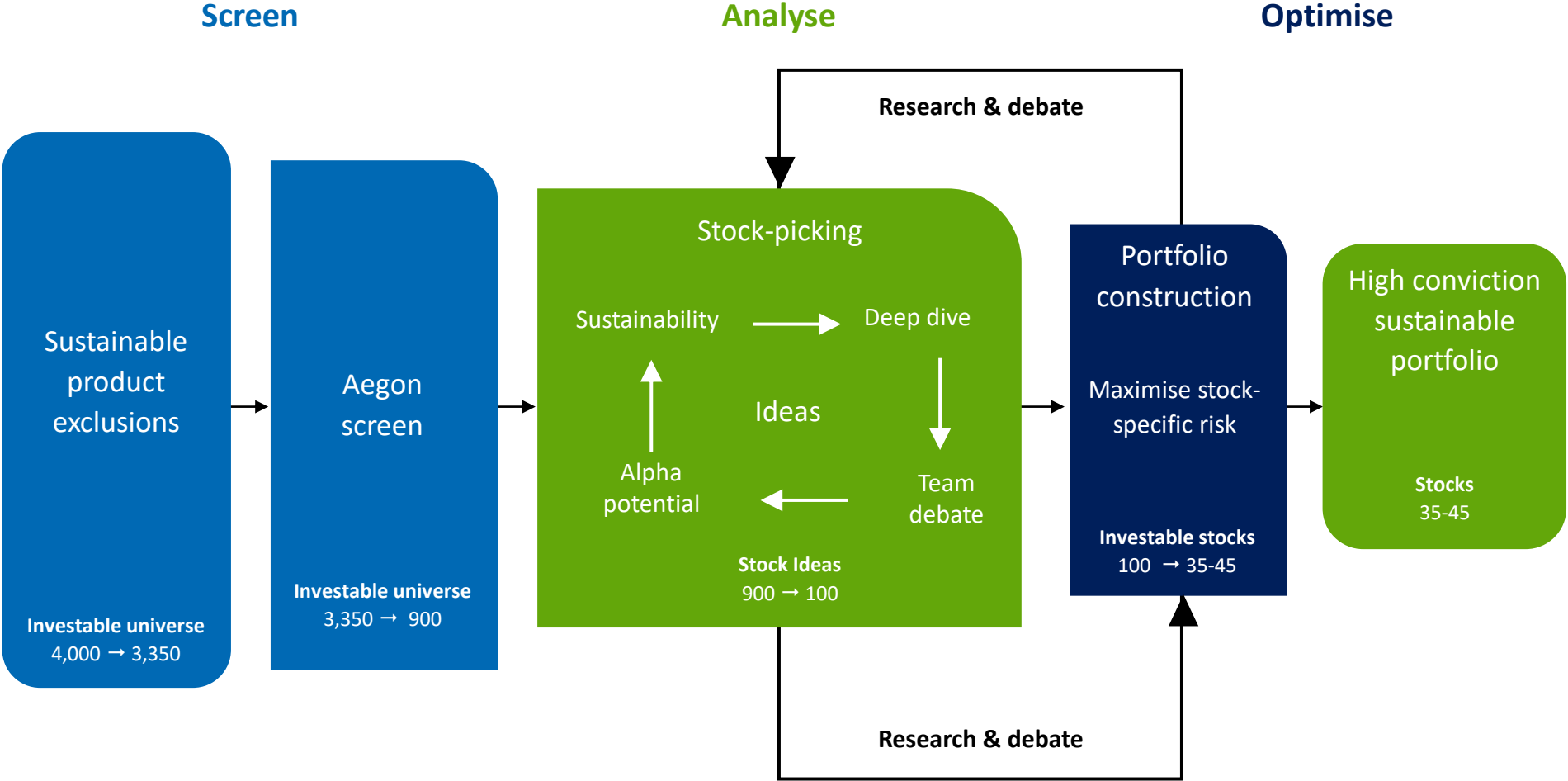


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The identification of 'leaders', 'laggards' and 'improvers' is based on Aegon AM UK's assessment of a company's sustainability of its products and practises. Sustainable product exclusions: Tobacco, Weapons, Nuclear power, Gambling, Animal welfare, Adult entertainment, Genetic modification, Coal, Oil exploration and production.

Our global sustainable investment process

High conviction sustainable alpha



Sustainable product exclusions: Tobacco, Weapons, Nuclear power, Gambling, Mistreatment of animals, Adult entertainment, Genetic modification, Coal, Oil exploration and production.

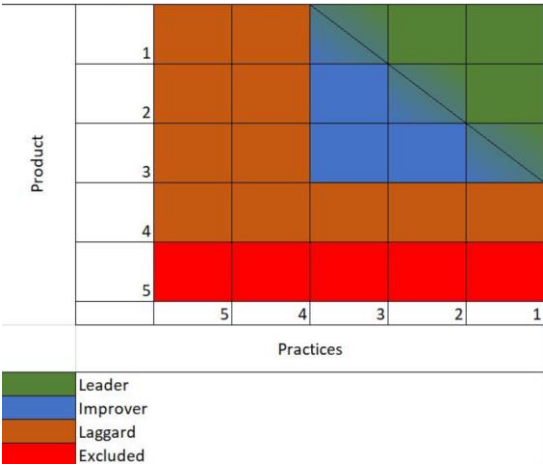
Our rigorous sustainability analysis process

Building a holistic view of each stock

Proprietary sustainability framework

Exclusions	Product-based exclusions built on experience of client feedback
Materiality	Identify materiality using Sustainability Accounting Standards Board Materiality Map
Controversies	High level controversy monitoring
Analysis	<div>Detailed company analysis<ul style="list-style-type: none">- Based on materiality- Tailored for each company- Varying weights for E, S and G- Key Performance Indicators identified to track over time</div>
Sustainability categories	Categorise as Leader, Improver, or Laggard based on combined scores for product, practices and improvement
Engagement	Engage with company, review thesis at least annually and track KPIs over time

Consider multiple dimensions of sustainability



Identify leaders, improvers and laggards

Leader	Demonstrably leaders in sub-sector
Improver	Some issues identified but evidence of improvement or credible plans to do so
Laggard	Poor product exposure and/or inadequate practices, with little signs of improvement

There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies.

The identification of 'leaders', 'laggards' and 'improvers' is based on Aegon AM UK's assessment of a company's sustainability of its products and practices.

Engagement: A key component of improvement

Pre-investment Where issues prevent us investing

- Engagement to encourage improvement to acceptable levels
- Idea can be reconsidered if sufficient improvement

Post-investment Ongoing monitoring of our investments

- Monitoring for changes to original case
- Tracking improvement in KPIs

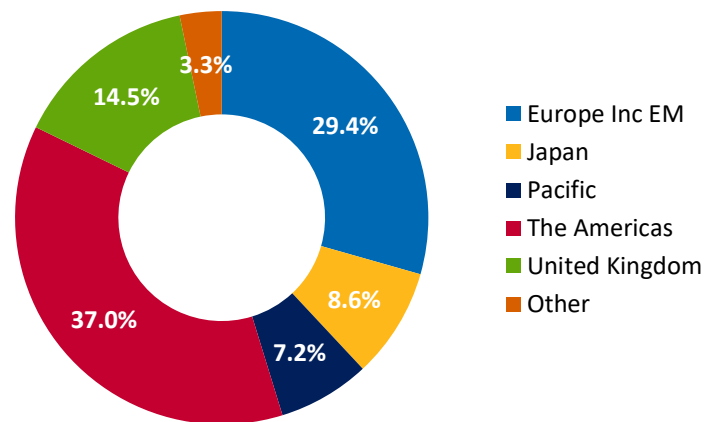
Thematic Wider engagement with the market on broad issues

- Broad thematic issues covered such as diversity
- Trying to improve overall market standards

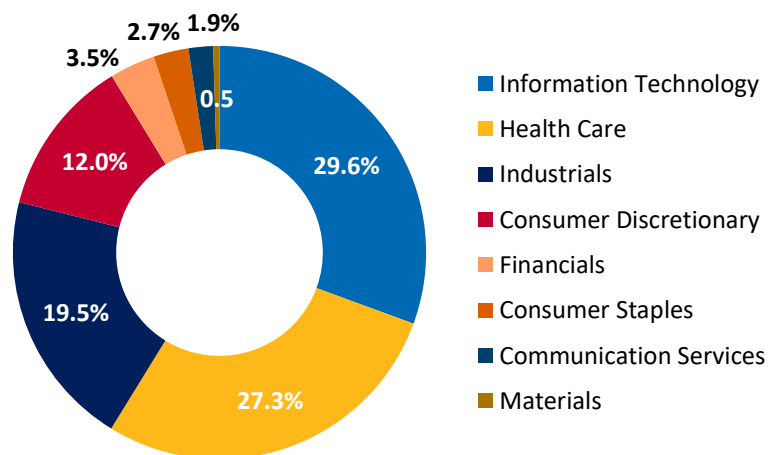
Aegon Global Sustainable Equity Fund

Portfolio Positioning

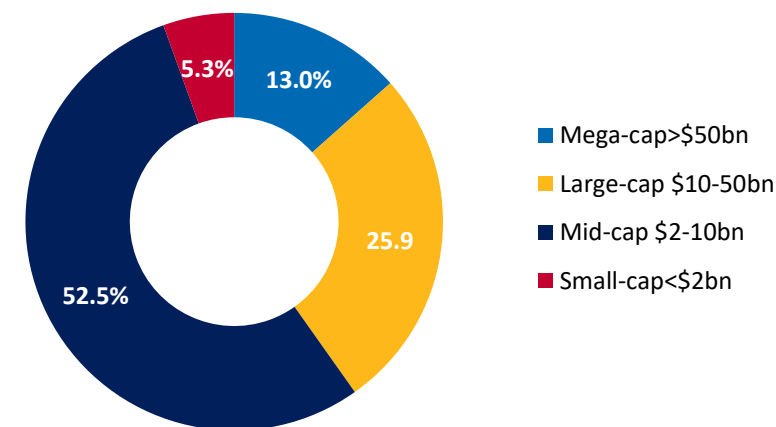
Region



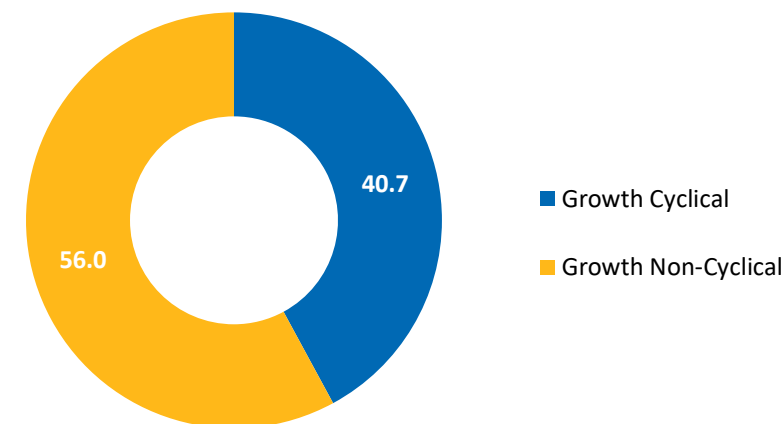
Sector



Market cap



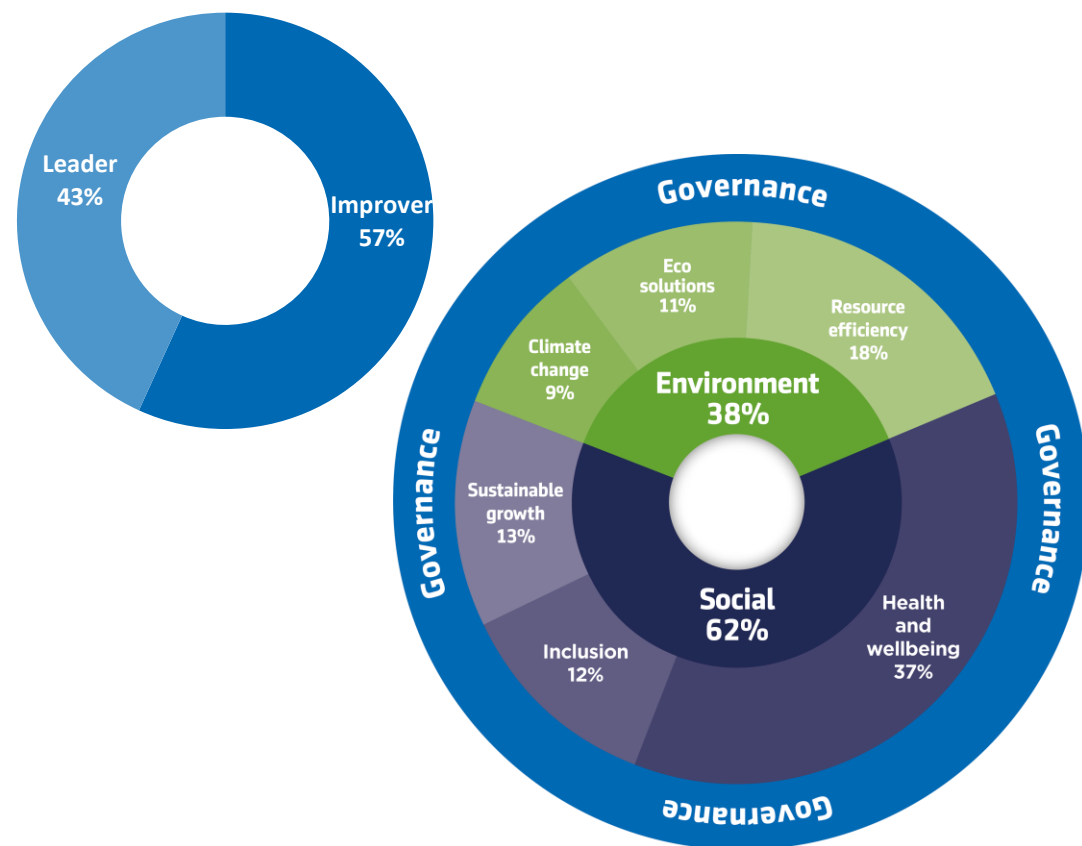
Style



Source: FactSet as at 30 September 2021. Any differences are due to rounding.

Aegon Global Sustainable Equity Fund

Portfolio Positioning

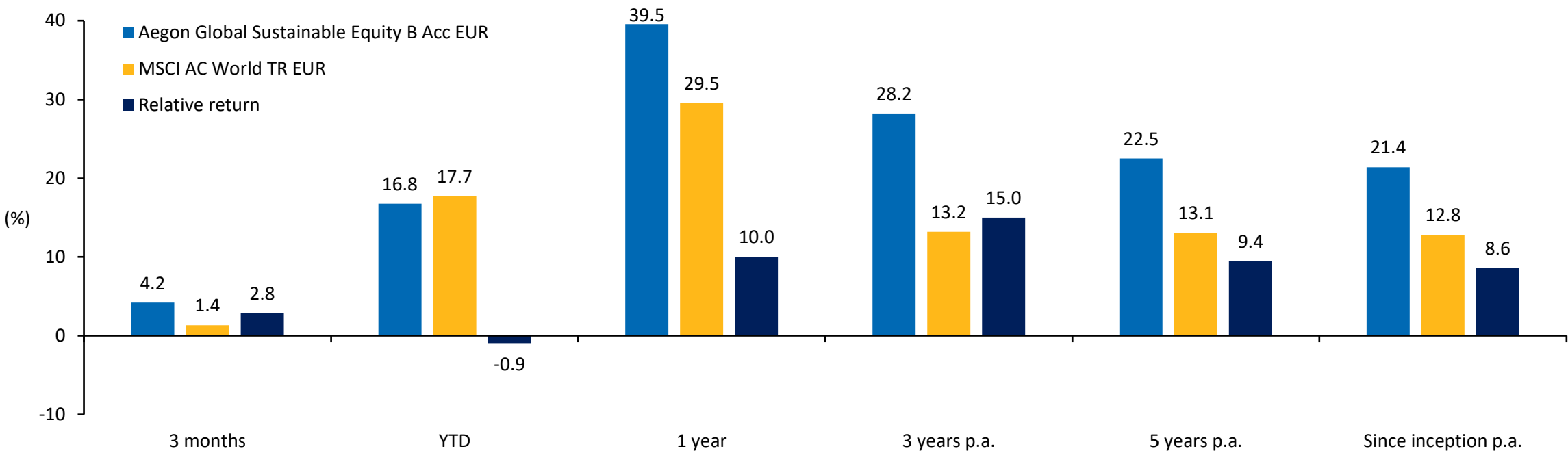


Top 10	Sustainability category	Sustainability theme	Weight (%)
Kornit Digital	Improver	ECO Solutions	4.5
Endava	Improver	Sustainable Growth	4.2
Keyence Corporation	Improver	Resource Efficiency	4.0
IDP Education	Improver	Inclusion	3.8
Dynatrace	Improver	Resource Efficiency	3.5
First Republic Bank	Leader	Inclusion	3.5
Amplifon	Leader	Inclusion	3.4
Basic-Fit	Leader	Health & Wellbeing	3.2
Alfen	Leader	Climate Change	3.2
Everbridge	Leader	Health & Wellbeing	3.2

There is no guarantee that the assessment of a company as a leader or improver will continue or that positive results will be obtained from investment in the securities of such companies.

Source: FactSet as at 30 September 2021. Each company in the portfolio is assessed against Aegon AM's seven sustainability pillars and assigned to the appropriate pillar based on our analysis of their products, practices and rate of improvement. The above pie chart depicts what percentage of the portfolio in our strategy is in each pillar (bottom lhs chart).

Performance and risk-adjusted returns



Risk-adjusted returns	Sharpe Ratio	Information Ratio
1 year	2.43	0.51
3 years	1.34	1.05

Past performance is not indicative of future results.

Source: Lipper, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges as at 30 September 2021. Benchmark source: Lipper. Benchmark is MSCI All Countries World Index (Euro).
 Note: peer group benchmark has noon prices and index benchmarks have close of day prices. Fund: Aegon Global Sustainable Equity Fund B (Acc) EUR. Fund inception: 21 April 2016. Risk-adjusted Returns are shown for the Global Sustainable Equity Fund B (Acc) EUR share class.

Key takeaways

Sustainability context

- Global sustainability challenges will not be solved quickly or in one leap
- Investors need to be open minded to find the most impactful solutions

Why improvers

- Innovative companies with positive impact products should not be overlooked because they don't tick all the boxes
- Young, growing companies need the most support from investors and can offer a source of alpha

Aegon Global Sustainable Equity Fund

- ✓ **Sustainable** - Leveraging sustainable analysis seeking to generate alpha by identifying leadership and improvement
 - ✓ **Growth** - Focusing on innovative and disruptive growth companies
 - ✓ **Conviction** – A concentrated 35-45 stock portfolio with around 98% active share
 - ✓ **Track record** – Over 8% pa outperformance of index since launch
-



Aegon Global Sustainable Equity Fund

Shareclass	ISIN	Bloomberg	WKN	Austria	Belgium	Switzerland	Germany	Spain	UK	Guernsey*	Ireland	Italy	Jersey*	Luxembourg	Malta	Netherlands	Portugal*
A Acc EUR	IE00BYZHYJ00	KAGSAAE ID	A2PGN1	✓		✓	✓	✓			✓				✓		
A Inc EUR	IE00BYZHYK15	KAGSAIE ID	A2PGN2	✓		✓	✓	✓			✓				✓		
B Acc GBP	IE00BYZJ3441	KGSEBAG ID				✓			✓	✓	✓		✓				
B Acc USD	IE00BYZJ4F20	KGSEBAU ID	A2AHG7	✓		✓	✓			✓	✓		✓	✓		✓	
B Acc EUR	IE00BYZHYQ76	KGSEBAE ID	A2AHG6	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓	✓
B Inc EUR	IE00BYZHXR83						✓										
C Acc GBP	IE00BYZJ3771	KGSECAG ID				✓			✓	✓	✓		✓				
C Acc EUR	IE00BYZHYX44	KGSECAE ID	A2AHG9	✓	✓	✓	✓	✓			✓	✓		✓		✓	✓
C Inc EUR	IE00BYZHYY50						✓										
C Acc CHF	IE00BYZJ4290	KGSECAC ID				✓					✓						

As at December 2020. *Institutional only.

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The principal risk of this product is the loss of capital. Please refer to the KIID and/or prospectus or offering documents for details of all relevant risks. For all documents please see www.aegonam.com/documents

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

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Fund Charges are taken from income but will be taken from capital where income is insufficient to cover charges.

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