

# Form ADV Part 2A

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**Aegon Asset Management UK plc**

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This brochure provides information about the qualifications and business practices of Aegon Asset Management UK plc. If you have any questions about the contents of this brochure, please contact us at 877-234-6862. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Aegon Asset Management UK plc is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Aegon Asset Management UK plc is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.



## Item 2 Material changes

This brochure dated March 28, 2024, serves as an annual update to the brochure. In addition to certain routine updates made in connection with the annual update, we have made changes to the following sections since the last updated filed in March 2023:

- Item 4.A., Advisory Business, Overview, was updated to reflect a name change to Aegon Asset Management UK plc's ultimate parent company Aegon N.V. to Aegon Ltd.
- Item 8.A., Investment Strategies, Methods of Analysis and Risk of Loss
  - The following strategy was removed:
    - Global Equity Market Neutral Strategy
  - The following strategy was added:
    - European Leveraged Loan Strategy
- Item 8.C., Investment Strategies, Methods of Analysis and Risk of Loss
  - The following risk disclosures were added:
    - Underlying Exchange Traded Funds
    - Leveraging
    - Interest Rate Risk

*If you would like a current copy of Aegon Asset Management UK plc's Brochure, please contact us at (877) 234-6862 or [invcomplianceteam@aegonam.com](mailto:invcomplianceteam@aegonam.com). We will provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge. The Brochure is also available free of charge on our web site [www.aegonam.com](http://www.aegonam.com) and via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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Item 4 Advisory business

**A Firm overview**

Aegon Asset Management UK plc (hereafter, “Aegon AM UK”) is a UK domiciled specialist investment management business. From our offices in Edinburgh and London we manage \$44.3 billion (£33.2. billion)\* on behalf of approximately 163 clients internationally, including wealth managers, financial institutions, pension funds, charities and financial advisers. Aegon AM UK has been a registered investment adviser with the SEC since September 2017 under the name “Kames Capital”, and offers its services to U.S. domiciled institutions, pension funds and financial advisers.

Aegon AM UK was incorporated in Scotland on 21 September 1988 as Dunwilco (131) Limited, changing name to Scottish Equitable Investment Management Limited on 16 June 1989, and then Aegon Asset Management UK plc on 28 December 2000. It became Kames Capital on 1 September 2011 and subsequently changed its name to Aegon Asset Management UK on 7th September 2020.

Aegon AM UK is a wholly owned subsidiary of Aegon Asset Management UK Holdings Limited and an indirect wholly owned subsidiary of Aegon Ltd.

Aegon AM UK is part of a broader investment firm using the brand name Aegon Asset Management, a group of asset managers affiliated with Aegon Ltd. References to Aegon Asset Management includes varied affiliated investment advisory, operational and distribution business units including Aegon USA Investment Management LLC, which utilizes the primary business name Aegon Asset Management US (“Aegon AM US”), and Aegon USA Realty Advisors LLC which utilizes the primary business name Aegon Real Assets US, each an SEC registered investment advisor, and various unregistered foreign affiliates (and joint ventures), including Aegon Asset Management Pan-Europe BV, Aegon Asset Management Hungary B.V., Aegon España S.A.U. de Seguros y Reaseguros, Aegon Industrial Fund Management Co. LTD, Aegon Investment Management B.V. (“Aegon AM NL”), and La Banque Postale Asset Management SA.

Though legally distinct, the Aegon Asset Management affiliates coordinate with one another. Through the use of distinct investment platforms, Aegon AM UK collaborates with various Aegon Asset Management affiliates to deliver products and services globally. We believe that this structure helps us better serve our clients’ needs. Through its affiliation with Aegon Asset Management group companies, Aegon AM UK has access to global resources that augment and complement its own investment expertise. For additional information regarding Aegon AM UK’s legal and governance structures, refer to Item 10, Other Financial Industry Activities and Affiliations.

\*Source: AEGON AM UK as at 31 December 2023.

**B Advisory services**

Aegon AM UK offers a range of investment strategies, covering asset classes including fixed income, equities and multi-asset.

**C Tailoring services to client needs**

Our dedicated client management team works closely with clients to provide a high-quality service and to understand and meet their reporting needs.

Aegon AM UK manages portfolios on a discretionary basis and will establish a separate Investment Management Agreement for each separately managed account, or pooled investment vehicle. This includes mutually-agreed investment guidelines and restrictions such as investing in certain securities or types of securities. These restrictions are then centrally documented and recorded on our order management system, which includes automated restriction monitoring.

Monthly and quarterly reporting is available to all institutional clients. Any additional reporting requirements can be discussed and agreed with the appointed Client Director as part of the account opening process.

**D Assets under management**

Aegon AM UK’s regulatory assets under management attributable to US clients are currently \$2.1billion.

For a description of the strategies available in the U.S., refer to Item 8.A. Methods of analysis, investment strategies and risk of loss.

Source: AEGON AM UK as at 31 December 2023

## Item 5 Fees and compensation

### A Fee schedule

Aegon AM UK charges investment management fees consistent with the terms agreed in the client-specific Investment Management Agreement (IMA) in the form of an Annual Management Charge (AMC). Fees are typically based on clients' assets under management and are negotiable. Our standard fee structure for managing segregated investment portfolios is categorised by the specific investment strategy.

### B Client billing

Clients are invoiced for investment management fees due to Aegon AM UK. We do not deduct fees from clients' assets.

Typically, the management fee is calculated and accrued monthly and payable quarterly in arrears but client specific arrangements can be accommodated.

### C Other fees and expenses

Aegon AM UK investment management fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses that are typically incurred by clients.

Clients may also incur additional fees when account assets are invested in mutual funds, ETFs and other pooled investment vehicles. These vehicles charge internal management fees, which are disclosed in their respective offering documents. No portion of these fees offset the fees Aegon AM UK charges for its services.

Client assets are maintained by independent custodians, and clients pay all custody fees directly to their custodian.

### D Advance payment of fees

Aegon AM UK calculates invoices in arrears. No fees are paid in advance.

### E Compensation for the sale of securities or other investment products

Aegon AM UK does not receive compensation for the sale of securities or investment products held within the underlying mandates we manage for our clients.

Aegon AM UK aligns the interests of employees with those of clients via our long-term incentive performance plan. Part of our remuneration package includes eligibility for a discretionary bonus. Our sales team receive bonuses based on introducing new clients.

Our remuneration package ensures that our investment professionals are focused on a range of Key Performance Indicators which align the interests of staff with our clients' interests, incentivising us to continue to meet our client needs.

## Item 6 Performance-based fees and side-by-side management

Client portfolios may include a performance-based fee when it is negotiated between the client and Aegon AM UK and documented in the Investment Management Agreement (IMA). Although each performance fee is calculated differently in line with client specifications, it will generally stipulate a base rate, a participation rate and a maximum fee. The participation rate specifies the percentage of an account's capital gains or capital appreciation that will be paid as a fee to Aegon AM UK. Aegon AM UK will structure a performance-fee or incentive-fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Act"), as amended, and in accordance with the available exemptions thereunder, including the exemptions set forth in Rule 205-3 under the Act.

There are inherent conflicts of interest in the side-by-side management of performance fee and non-performance fee accounts. Performance-fee arrangements create an incentive for an adviser to take risks in

managing assets that would not otherwise be taken in the absence of such arrangements. Similarly larger accounts could be favoured because they generate more revenue for the adviser. We strive to mitigate these potential conflicts through policies and procedures designed to ensure all clients are treated equitably over time, and through employee education. See Item 12, Brokerage Practices - Trade Aggregation and Allocation, for additional information about Aegon AM UK's trade aggregation and allocation practices.

#### Item 7 Types of clients

Aegon AM UK manages assets on behalf of clients internationally, including public funds (e.g., US mutual funds), pension plans, financial institutions, endowments, foundations, wealth managers, wrap programs, family offices and individuals. Aegon AM UK typically requires a minimum investment, which may differ depending upon the particular investment strategy, product or client type.

#### Item 8 Methods of analysis, investment strategies and material risks

##### **A Analysis and investment strategies**

Aegon Asset Management runs a broad range of investment strategies, covering fixed income, equity and multi asset portfolios. These strategies seek to cater to a wide range of investor objectives including income, total return and absolute return. Whilst each strategy will have some variations in its investment process to reflect its specific objective, all are united by a common philosophy that employing active management and running concentrated portfolios, underpinned by detailed fundamental analysis, can add value for clients.

##### **Key elements of our process**

The specific investment process employed will vary slightly from strategy to strategy, in order to reflect the nuances of the asset class and the focus of the particular strategy. Each process is designed to provide the best possible opportunity for the strategy to achieve its investment objectives whilst ensuring it remains within its stated risk parameters.

The process for each strategy will combine quantitative and qualitative elements. Quantitative analysis may involve elements such as screening the investable universe for securities with certain characteristics. It should be emphasised though that final investment decisions are not taken purely on the basis of quantitative analysis.

The fundamental analysis process will use data from a range of sources, both internal and external, so that a detailed analysis can be made of each individual security under consideration.

For equity securities, we employ an analysis framework called the 'FVT' (Fundamentals, Valuations, Technicals) process. For fixed income securities there is a similar framework which covers Fundamentals, Valuations, Technicals and Sentiment. Having a single analysis framework for an asset class ensures research is carried out and documented in a consistent manner and makes it easy for investment ideas to be shared across multiple strategies.

Fundamental analysis for the respective asset classes will involve a detailed bottom up consideration of each of the elements of this framework, with the analyst forming a conclusion on the investment case based on the combined findings from these elements. The process is flexible so that it is up to the analyst to determine how to weight each element in terms of importance to the overall investment case for any individual security.

Aegon AM UK also has access to, and at the Portfolio Managers discretion, utilizes as part of the overall investment process, research generated by Aegon Asset Management affiliates, Aegon AM US, a wholly owned US-based affiliate of Aegon AM UK that is registered as an investment adviser with the SEC and Aegon Investment Management B.V. ("Aegon AM NL"), an investment adviser licensed and domiciled in the Netherlands as part of a participating affiliate arrangement. The participating affiliate arrangement is described further in Item 10.C Other Financial Industry Activities and Affiliations –Relationships and arrangement affiliates.

As part of the processes outlined above, Aegon AM UK seeks to identify and consider financially material environmental, social and governance (ESG) factors into bottom-up research. These ESG considerations may help the analysts form a holistic understanding of a security's overall fundamentals and, therefore, its financial

performance. As part of research, ESG factors will be considered alongside traditional financial factors and may be no more or less determinative than these other factors to the overall investment case.

In addition to the above research process, Aegon AM also runs a dedicated range of responsible investment ('RI') strategies, which may involve exclusionary screening and/ or the requirement for securities to pass additional analysis focused solely on ESG aspects and carried out by Aegon AM's global Responsible Investment team.

Portfolio managers will have access to the ideas generated by the fundamental research process outlined above to construct portfolios that they think can achieve each strategy's stated investment objective. This process will use a mixture of the portfolio managers' skill and experience in portfolio construction and certain IT systems. The process may also involve interaction with Aegon AM's Portfolio Risk team, to ensure that appropriate levels of risk are being taken in the strategy. Through interactions with the Investment Risk team, portfolio managers can also seek to understand and analyse the different sources of risk that individual portfolios are exposed to, as well as considering the output of stress testing, or modelling of the effect of proposed changes to a portfolio on its overall risk exposures.

Set forth below are the investment strategies Aegon AM UK offers. The objective, performance target and restrictions can be tailored to our clients' requirements. Subject to limitations within a given investment objective, Aegon AM UK does not limit the types of securities it may recommend to clients and generally recommends a diversified portfolio.

#### Fixed income strategies

Strategy name	Objective
<b>Strategic global bond</b>	The investment objective is to maximise total return (income plus capital) by investing primarily in global debt instruments in any currency, ranging from AAA government bonds through to high yield and emerging market bonds. The reference index for this strategy is Bloomberg Barclays Global Aggregate Index USD hedged.
<b>Global high yield bond</b>	The investment objective is to maximise total return (income plus capital) by investing primarily in high yield bonds in any currency, which may be corporate or government, and which may be at a fixed or floating rate, rated or unrated. Selected investment grade bonds and cash may also be held. The reference index for this strategy is the BofA Merrill Lynch Global High Yield Constrained USD Hedged.
<b>Global absolute return bond</b>	The investment objective is to generate positive absolute returns for investors over a rolling 3-year period irrespective of market conditions. The strategy will seek to achieve its investment objective by investing in global debt instruments in any currency, ranging from AAA government bonds through to high yield and emerging market bonds.
<b>Global investment grade bond</b>	The investment objective is to maximise total return (income plus capital) by investing primarily in investment grade corporate and government bonds in any currency which may be at a fixed or floating rate, rated or unrated. Selected high yield bonds and cash may also be held. The benchmark for this strategy is the Bloomberg Barclays Capital Global Aggregate Corporate Index USD Hedged.

#### Equity strategies

Strategy name	Objective
<b>Global equity income</b>	The investment objective is to provide income and capital growth by investing in the global equities market. The strategy will aim to deliver a yield higher than that generally available from investment in global equities. The benchmark for this strategy is MSCI ACWI.
<b>Global sustainable equity</b>	The investment objective is to maximise total return (income plus capital) by investing directly in a portfolio of global equity securities which meet predefined sustainability criteria. The benchmark for this strategy is MSCI ACWI.

#### Multi-asset strategies

Strategy name	Objective
<b>Diversified growth</b>	The investment objective is to maximise total return (income plus capital) at a lower risk than global equity markets by investing in a diversified portfolio of global assets. The benchmark for this strategy is US Consumer Price Index (CPI).
<b>Diversified income</b>	The investment objective is to provide income with the potential for capital growth by investing in a diversified portfolio of global assets.

#### European Leveraged Loan Strategy

North Westerly Collateralised Loan Obligations ("CLOs") are managed by Aegon AM for the benefit of their Issuers and represent securitisations of sub-investment grade loans selected by Aegon AM on a "long-only", take-and-hold basis, with reinvestment criteria determined by the credit rating agencies that assign public ratings to such CLOs.

#### B Material risks

Investing in securities or derivatives involves a risk of loss that clients should be prepared to bear. Aegon AM UK cannot guarantee it will achieve client investment objectives, that a client will receive a return on its investment, or any performance results. All investments include the potential for loss of the principal amount invested and unrealized profits. Past performance is not an indication or guarantee of future performance.

The discussion below is of a general nature and is intended to describe various risk factors which may be associated with an investment. These are not intended to be exhaustive and there may be other considerations that should be taken into account in relation to an investment. Clients should take all steps necessary in terms of internal or external advice or governance before considering an investment. Past performance is not an indication or guarantee of future performance.

The following risks are relevant to the strategies listed above:

**Active Trading Risk:** The Aegon AM UK investment strategies are actively managed and will purchase and sell securities and other assets without regard to the length of time held. Active trading will impact performance by increasing transaction costs and potentially generating greater amounts of net short-term capital gains, which, for investors with taxable accounts, would be subject to income tax at ordinary income tax rates. During periods of market volatility, active trading risks may be more pronounced.

**Convertible Securities Risk:** Convertible securities share investment characteristics of both fixed income and equity securities. The value of convertible securities also tends to exhibit lower volatility than the underlying common stock. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. Investors could lose money if the issuer of a convertible security is unable to meet its financial obligations or goes bankrupt. Convertible security prices may be negatively impacted by rising rates, especially when convertible trades are out-of-the-money. Convertible securities can be less liquid than



corporate bonds, especially in times of market stress. The equity price may never reach the conversion price, thereby negating the value of the option to convert.

**Counterparty Risk:** Investments such as derivatives are made using financial contracts with third parties. Those third parties may fail to meet their obligations due to events beyond our control, and therefore the value of the investment could fall because of: (i) loss of monies owed by the counterparty; and/or (ii) the cost of replacement financial contracts.

**Credit Risk:** An issuer of bonds may be unable to make payments due to the investor (known as a default). The value of bonds may fall as default becomes more likely. Both default and expected default may cause the portfolio value to fall. High yield bonds generally offer higher returns because of their higher default risk and investment grade bonds generally offer lower returns because of their lower default risk.

**Currency Risk:** Certain strategies may have foreign exchange risk. Investments may be denominated in a range of currencies which differ from the base currency. Fluctuations in these currencies may increase the risk of losses to the portfolio where hedging is not used or is incomplete or unsuccessful.

**Cybersecurity, Information Security, Technology and Disaster Risk:** Aegon AM UK, its affiliates and key service providers utilise physical space (office, commercial, warehouse, industrial) and internal and third-party (including cloud-based and subscription-based) information technology (such as hardware, software, online services, data and data feeds) to conduct business and operations and to provide services (collectively, "Business Infrastructure").

As with any business, damage to and disruptions to availability and use of and access to, Business Infrastructure can and do occur. Additionally, disruptions in operation of or access to markets and trading platforms can and do occur. These events ("Disruptions") can be caused by or result from many different types of events, including but not limited to force majeure, environmental and natural disasters and other catastrophic events (such as fires, explosions and earthquakes, as well as severe weather-related phenomena like tornadoes, floods, hurricanes and storms); utilities interruptions; embargoes; labour strikes; war, military and para-military action, domestic or international terrorism, rebellion, sabotage, protest, riot and insurrection; condemnation (eminent domain) and expropriation or confiscation of facilities by governmental or military authorities; declarations of local, state or national emergencies and other actions of governmental, quasi-governmental, self-regulatory organizations and market operators; malware (such as viruses, worms and trojan horses); network, computer and telecommunication failures; security breaches of, and unauthorized infiltration, compromise or disclosure of, loss of use/access to, and damage to or destruction of, information technology and data.

Although Aegon AM UK and its affiliates implement various measures intended to manage and mitigate risks of Disruptions, these events can cause potentially significant and extended interruptions in business activities, operations and services of Aegon AM UK and its affiliates. Such Disruptions may delay restrict or prevent the delivery or performance of services by Aegon AM UK (such as timely execution of investment decisions) or otherwise materially and adversely affect Clients and/or their investments. They may also require Aegon AM UK and its affiliates to make a significant investment to resolve or minimize the impact of the Disruptions and to remedy their effects. Disruptions also may have secondary impacts, such as compromise of the security, confidentiality or privacy of sensitive data, including personal information.

**Derivatives Risk:** Certain strategies may employ the use of derivatives. The value of derivatives depends on the performance of an underlying asset. Small changes in the price of that asset can cause larger changes in the value of the derivative due to leverage. Leverage introduced through derivatives has the potential to increase gains but may also lead to increased loss in comparison to direct ownership of the underlying asset without the use of a derivative.

The prices of derivatives, including futures and options, are volatile. In addition, the portfolio is subject to the risk of the failure of any of the exchanges on which we trade on their behalf or of their clearing houses and in certain cases the counterparties with whom the trades are carried out.

The portfolio may purchase and sell options on securities and currencies on a variety of securities exchanges and over-the-counter markets. The seller of a put option which is uncovered (i.e., the seller has a short position in the underlying security or currency) assumes the risk of an increase in the market price of the underlying security or currency above the sales price (in establishing the short position) of the underlying security or currency plus the premium received and gives up the opportunity for gain on the underlying security or currency below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is fully hedged if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security or currency below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security or currency, the loss on the put will be offset in whole or in part by any gain on the underlying security or currency.

The seller of a call option which is covered (e.g., the seller holds the underlying security or currency) assumes the risk of decline in the market price of the underlying security or currency below the value of the underlying security or currency less the premium received and gives up the opportunity for gain on the underlying security or currency above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. The buyer of the call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security or currency, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security or currency. In entering into a closing purchase transaction, the portfolio may be subject to the risk of loss to the extent that the premium paid for entering into a closing purchase transaction exceeds the premium received when the option was written.

Due to the nature of futures, cash to meet margin monies will be held by a broker with whom the portfolio has an open position. In the event of the insolvency or bankruptcy of the broker, there can be no guarantee that such monies will be returned to the portfolio.

Where the portfolios enter into swap arrangements and derivative techniques, they will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the portfolios could experience delays in liquidating the position and may incur significant losses. There is also a possibility that on-going derivative transactions will be terminated unexpectedly as a result of events outside the control of Aegon AM UK, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice, it is Aegon AM UK policy to net exposures of each portfolio against its counterparties.

Since many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss regardless of the size of the initial investment. If there is a default by the other party to any such transaction, there will be contractual remedies; however, exercising such contractual rights may involve delays or costs which could result in the value of the total assets of the related portfolio being less than if the transaction had not been entered. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap. Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, Aegon AM UK's use of derivative techniques may not always be an effective means of achieving, and sometimes could be counter-productive to, the portfolio's investment objective. An adverse price movement in a derivative position may require cash payments of variation margin by the portfolio that might in turn require, if there is insufficient cash available in the portfolio, the sale of investments under disadvantageous conditions.

Aegon AM UK will, on request, provide supplementary information to clients in relation to the risk management methods employed by the relevant strategy including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

**Distressed or Defaulted Securities Risk:** Investments in defaulted securities and obligations of distressed issuers, including securities that are, or may be, involved in reorganizations or other financial restructurings, either out of court or in bankruptcy, involve substantial risks and are considered speculative. An investor could suffer significant losses if the reorganization or restructuring is not completed as anticipated. Repayment of defaulted securities and obligations of distressed issuers is subject to significant uncertainties.

**Economic and Political Risk:** Investments in countries which have less developed political, economic and legal systems and which provide fewer investor protections. Difficulties in buying, selling, safekeeping or valuing investments in such countries may reduce the value of the portfolio.

In the case of certain strategies there may be exposure to emerging markets and investors should be aware of risks attached to investing in such markets, which could have an impact on performance. In particular, the following risks should be noted:

**Settlement, Credit and Liquidity Risks:** *The trading and settlement practices of some of the stock exchanges or markets which may be invested in may not be the same as those in more developed markets, which may increase settlement risk and/or result in delays in realising investments. Those exchanges and markets may also have substantially less volume and generally be less liquid than those in more developed markets. In addition, an account will be exposed to credit risk on parties with whom it trades and will bear the risk of settlement default.*

**Regulatory Risks and Accounting Standards:** *Disclosure and regulatory standards may be less stringent in certain securities markets than they are in developed countries and there may be less publicly available information on the issuers than is published by or about issuers in such developed countries. Consequently, some of the publicly available information may be incomplete and/or inaccurate. In some countries the legal infrastructure and accounting and reporting standards do not provide the same degree of shareholder protection or information to investors as would generally apply in many developed countries. In particular, greater reliance may be placed by the auditors on representations from the management of a company and there may be less independent verification of information than would apply in many developed countries. The valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may also be treated differently from international accounting standards.*

**Political Risks:** *The performance of a Strategy may be affected by changes in economic and market conditions, uncertainties such as political developments, changes in government policies, the imposition of restrictions on the transfer of capital and in legal, regulatory and tax requirements. A Strategy may also be exposed to risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level of foreign ownership.*

**Custody Risks:** *Local custody services remain underdeveloped in many emerging market countries and there is a transaction and custody risk involved in dealing in such markets. In certain circumstances recovery of some of its assets may not be possible or may be delayed. Such circumstances may include uncertainty relating to, or the retroactive application of legislation, the imposition of exchange controls or improper registration of title. In some emerging market countries evidence of title to shares is maintained in book-entry form by an independent registrar who may not be subject to effective government supervision, which increases the risk of the registration of holdings of shares in such markets being lost through fraud, negligence or mere oversight on the part of such independent registrars. The costs borne in investing and holding investments in such markets will generally be higher than in organised securities markets.*

**Focused Investing Risk:** *To the extent an account invests in a limited number of countries, regions, sectors, industries or market segments, in a limited number of issuers, or in issuers in related businesses or that are subject to related operating risks, the account will be more susceptible to negative events affecting those countries, regions, sectors, industries, segments or issuers, and the value of its shares may be more volatile*

*than if it invested more widely. Certain issuers, industries and regions may be adversely affected by the impacts of climate change, including through weather events and through regulation or business trends driven by climate change. Local events, such as political upheaval, social unrest, wars and terror attacks, financial troubles, pandemics, epidemics and natural disasters may disrupt a country's or region's securities markets. Geographic risk is especially high in emerging and frontier markets.*

**Issuer Concentration risk:** *Some accounts may invest more than 35% of their value in securities issued by a single Government or other Public issuer. Holding a limited number of underlying investments means a change in the value of any one investment has more impact on the value of an investment. This increases potential gain but also potential loss.*

**Emerging Markets Risk:** Investments in securities of issuers located or principally doing business in countries other than the United States are subject to foreign investments risks and may experience rapid and extreme changes in value. These risks are greater for investments in issuers in emerging market countries. Emerging market countries tend to have economic, political and legal systems that are less fully developed and are less stable than those of more developed countries. Emerging market securities are often particularly sensitive to market movements because their market prices tend to reflect speculative expectations. Low trading volumes may result in a lack of liquidity and in extreme price volatility.

**Extension Risk:** If interest rates rise, repayments of fixed income securities will typically occur more slowly than anticipated by the market. This typically will drive the prices of these securities down because their interest rates are lower than the current interest rate and they remain outstanding longer.

**Fixed Income Securities Risk:** The market prices of fixed income securities may go up or down, sometimes rapidly and unpredictably, due to general market conditions, such as real or perceived adverse economic or political conditions, tariffs, trade disruptions, inflation, changes in interest rates, lack of liquidity in the bond markets or adverse investor sentiment. In addition, the market value of a fixed income security will typically decline when the issuer or other obligor of the security fails to pay principal and/or interest, otherwise defaults or has its credit rating downgraded or is perceived to be less creditworthy, or the credit quality or value of any underlying assets declines. The value of fixed income investments will generally go down when interest rates rise. A rise in rates tends to have a greater impact on the prices of longer-term or duration securities.

**General Risk:** Investments in securities are subject to normal market fluctuations and other risks inherent in investing in securities. The value of investments and the income from them, can go down as well as up and an investor may not get back the amount they invested. An investment in a portfolio should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. Due to adverse market movements the portfolio may become valueless.

**Hedging Risk:** An account may buy and sell futures contracts, put and call options, forward contracts, and other instruments as a hedge. Some hedging strategies could hedge an account's portfolio against price fluctuations. Other hedging strategies would tend to increase an account's exposure to the securities market. Forward contracts could be used to try to manage foreign currency risks on an account's foreign investments. An account's hedging strategies may not work as intended, and the portfolio may be in a less favorable position than if it had not used a hedging instrument.

**High Yield Risk:** Investments in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") have historically been subject to greater levels of credit and liquidity risk than investment grade securities. High yield securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments.

**Inflation-Protected Securities Risk:** Inflation-protected debt securities can react differently from other types of debt securities and tend to react to changes in real interest rates. Real interest rates represent nominal (stated) interest rates reduced by the expected impact of inflation. In general, the price of an inflation-protected debt security can fall when real interest rates rise and can rise when real interest rates fall. Interest payments on inflation-protected debt securities can be unpredictable and will vary as the principal or interest is adjusted for inflation. Also, the inflation index utilized by a particular inflation-protected security might not

accurately reflect the true rate of inflation, in which case the market value of the security could be adversely affected.

**Interest Rate Risk:** The value of fixed income securities generally goes down when interest rates rise. A rise in rates tends to have a greater impact on the prices of longer term or duration securities. Changes in interest rates also may affect the liquidity of the client portfolio. A general rise in interest rates may cause investors to sell fixed-income securities on a large scale, which could adversely affect the price and liquidity of fixed-income securities.

**Legal & Regulatory Risk:** The risk that losses occur resulting from non-voluntary legal liabilities, inadequate legal documentation; or products, services, people and actions failing to deliver the reasonable expectations of its customers and other stakeholders; or failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant and potential legal and regulatory developments.

**Leveraging:** To the extent that a strategy borrows or uses derivatives or other investments, such as ETFs, that have embedded leverage, the strategy may be subject to heightened volatility, risk of loss and costs. Other risks also will be compounded because leverage generally magnifies the effect of a change in the value of an asset and creates a risk of loss of value that the strategy would otherwise have. Use of leverage may result in the loss of a substantial amount and possibly all of the assets.

**Loan Risk:** Loans are subject to the risk of nonpayment of principal or interest. Economic downturns or increases in interest rates can cause an increase in defaults, interest rate risk and liquidity risk. Loans may or may not be collateralized at the time of acquisition, and any collateral could be relatively illiquid or lose all or substantially all of its value subsequent to investment. In the event of bankruptcy of a borrower, clients could experience delays or limitations in realizing the benefits of any collateral securing a loan. Junior loans, which have a lower place in the borrower's capital structure than senior loans and may be unsecured, involve a higher degree of overall risk than senior loans of the same borrower. Loans are also subject to prepayment or call risk.

**Liquidity Risk:** The portfolio value may fall if some investments, especially in smaller companies or high yield bonds, become more difficult to trade or value due to market conditions or a lack of supply and demand.

**Management Risk:** Aegon AM UK' judgments about the fundamental value of securities or other factors showing the attractiveness of investments acquired for a portfolio may prove to be incorrect. In addition, Aegon AM UK' judgments about asset allocations, exposure to foreign currencies, credits, rates, legislative, regulatory, tax developments and other macro-economic factors may prove to be incorrect.

**Market Risk:** Some of the recognised exchanges may prove to be illiquid or highly volatile from time to time and this may affect the price at which each client may liquidate positions. Clients should also note that the securities of small-capitalisation companies are less liquid and this may result in price fluctuations.

**Model and Data Risk:** Aegon AM UK uses quantitative algorithms, calculations, and models (whether developed internally or supplied by third parties) or proprietary and non-proprietary data, software, intellectual property and information that may be licensed or otherwise supplied by third parties ("Models and Data") as an input to inform certain research analysts and portfolio managers as they construct sets of transactions and investments and to provide risk management insights. These Models and Data are used as a tool, among others, to assist research analysts and portfolio managers in their investment decision making. Portfolio managers do not rely exclusively on Models and Data to make buy/sell decisions.

If Models and Data prove to be incorrect or incomplete or are not properly implemented, any decisions made in reliance thereon expose an account to unexpected results and additional potential risks. Clients bear the risk that Models or Data used as an input by Aegon AM UK will not be successful in helping portfolio managers determine the size, direction, and/or weighting of investment positions that will enable the account to achieve its investment objectives.

Successfully implementing any Models and Data as an input into Aegon AM UK' investment processes depends on the validity, accuracy and completeness of the Model's development, implementation and maintenance,

the Model's assumptions, factors, algorithms, calculations and methodologies, and the accuracy and reliability of the supplied historical or other data.

Models rely on correct and complete data inputs. If incorrect data are entered into even a well-founded Model, the resulting information may be incorrect. There can be no assurance that the use of Models and Data as an input will result in effective investment decisions for an account.

**Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

**Over-the-Counter Markets Risk:** Where any securities are acquired on over-the-counter markets, there is no guarantee that a fair value of such securities will be realised due to their tendency to have limited liquidity and comparatively high price volatility.

**Pandemic Risk:** The global financial markets periodically have experienced and may continue to experience significant volatility resulting from epidemics, pandemics and other public health and safety events (whether or not so declared by any governmental or quasi-governmental body). Such events are disruptive and may result in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market instability, disruption and uncertainty. The full extent of such impacts cannot necessarily be predicted and may exacerbate other pre-existing political, social and economic risks in certain countries. The risk of these types of events may lead to significant uncertainty and volatility in the financial markets. The value of investments made by Aegon AM UK could be adversely affected by impacts caused by these events.

**Prepayment or Call Risk:** Many issuers have a right to prepay their debt securities. If interest rates fall, an issuer will typically exercise this right. In that event, clients, as the security holders, will not benefit from the rise in market price that normally accompanies a decline in interest rates, and will be forced to reinvest prepayment proceeds at a time when yields on securities available in the market are lower than the yield on the prepaid security.

**Repurchase Agreements Risk:** If the counterparty to a repurchase agreement defaults on its obligation, clients could suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security and the market value declines, an account could lose money. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, Aegon AM UK's ability to dispose of the underlying securities will typically be restricted.

**Responsible Investment Risk:** Responsible investment solutions include investment strategies that incorporate specific financially material ESG or sustainability criteria in the portfolio construction process. The degree to which ESG factors may impact investment decision making depends upon the investment objectives of a given strategy. According to Aegon AM UK's definition, responsible investment solutions include strategies across four key categories: exclusionary, best-in-class, Climate Transition, sustainability-themed and impact investments. In addition to integrating financially material ESG factors, these strategies are managed in alignment with certain guidelines related to ESG or sustainability criteria. Applying ESG or sustainability criteria may impact investment decisions as to securities of certain issuers and, therefore Aegon AM UK may forgo some investment opportunities available to investors that do not use ESG or sustainability criteria or that apply different criteria. Securities of companies with what are identified as having favourable ESG or sustainability characteristics may shift into and out of favour depending on market and economic conditions, and performance may at times be better or worse than the performance of similar accounts that do not use ESG or sustainability criteria or that apply different ESG or sustainability criteria. Responsible investing is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgement exercised, by Aegon Asset Management UK will reflect the beliefs or values of any one particular investor. Responsible investing norms differ by region. There is no assurance that the responsible investing strategy and techniques employed will be successful.

**Risks associated with investment in collective investment schemes:** A strategy may invest in one or more collective investment schemes including schemes managed by Aegon AM UK or its affiliates. As an investor in a collective investment scheme, an investor will bear its pro rata portion of the expenses, including management



and/or other fees. These fees would be in addition to the management fees and other expenses which are borne directly.

**Sovereign Debt Risk:** Sovereign debt instruments, which are debt obligations issued or guaranteed by a foreign governmental entity, are subject to the risk that the governmental entity will delay or fail to pay interest, or fail to repay principal, on debt that it has issued or guaranteed, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, relationships with other lenders such as commercial banks, the relative size of the governmental entity's debt position in relation to the economy, or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it might ask for more time in which to pay or for further loans, or ask for forgiveness of interest or principal on its existing debt. On the other hand, a governmental entity might be unwilling to renegotiate the terms of its sovereign debt. There might be no established legal process for a bondholder to enforce its rights against a governmental entity that does not fulfill its obligations. Certain countries in Europe currently have large sovereign debts and/or fiscal deficits which has led to significant uncertainties in the market as to whether or not the governments of those countries will be able pay in full and on time the amounts due in respect of those debts.

**Systems & Business Disruption Risk:** The risk of losses due to inadequate or failed business continuity planning, back-up and recovery, fall-back arrangements, information security, IT maintenance and change management, identification of relevant technological developments and other technical causes for systems related failures and errors.

**Tax:** The income and gains from assets may suffer withholding tax which may not be reclaimable in the countries where such income and gains arise. If this position changes in the future and the application of a lower rate results in a repayment to the relevant client, the client's account will not be re-stated.

**Underlying ETFs:** To the extent a strategy invests its assets in underlying ETFs, its ability to achieve its investment objective will depend in part on the performance of the underlying ETFs in which it invests. Investing in underlying ETFs subjects the strategy to the risks of investing in the underlying securities or assets held by those ETFs. Each of the underlying ETFs in which the strategy may invest has its own investment risks, and those risks can affect the value of the underlying ETFs' shares and therefore the value of the strategy's investments. There can be no assurance that the investment objective of any underlying ETF will be achieved. To the extent a strategy invests more of its assets in one underlying ETF than in another, the strategy will have greater exposure to the risks of that underlying ETF.

**Unquoted Investments (or Private Securities):** Subject to the investment restrictions applicable to the mandate, the portfolio may invest a portion of its assets in unquoted investments. Such investments will be fair valued. Fair valuing such investments is inherently difficult and are the subject of substantial uncertainty. There is an inherent conflict of interest between the involvement of Aegon AM UK in determining the valuation price of a client's investments and Aegon AM UK's other responsibilities and fee entitlement.

**Valuation Risk:** The sales price an account could receive for any particular portfolio investment may differ from the value at which the investment is carried in the account (whether determined by the account's owner, custodian, administrator or other service provider), particularly for securities that trade in illiquid or volatile markets, that are priced based upon valuations provided by third-party pricing services that use matrix or evaluated pricing systems, or that are valued using a fair value methodology. These differences may increase significantly and affect investments more broadly during periods of market volatility.

**Yield Risk:** The amount of income received by an account will go up or down depending on day-to-day variations in short-term interest rates, and when interest rates are very low, the portfolio's expenses could absorb all or a significant portion of the portfolio's income. If interest rates increase, the account's yield may not increase proportionately.

## Item 9 Disciplinary information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events. Aegon AM UK has no material legal or disciplinary information to disclose.

**Item 10 Other financial industry activities and affiliations**

Aegon AM UK is a direct wholly-owned subsidiary of Aegon Asset Management UK Holdings Limited. Aegon Asset Management UK Holdings Limited, and in turn Aegon AM UK, are indirect wholly-owned subsidiaries of Aegon Ltd.

Aegon AM UK's day-to-day affairs are overseen by a local Board of Managers and managed by local officers. While maintaining local leadership, accountability, oversight and control, Aegon AM UK operates with the Aegon Asset Management global framework. Within that global framework, the global management board and various committees of Aegon Asset Management provide management and oversight of the global activities and operations of Aegon Asset Management.

**A Registration as a broker-dealer or registered representative**

Neither Aegon AM UK nor any of its management persons are registered or have a registration pending as a broker-dealer or registered representatives.

**B Registration as a futures commission merchant, commodity pool operator, commodities trading advisor or associated person**

AEGON AM UK is not registered as a futures commission merchant, commodity pool operator, commodities trading adviser or associated person.

**C Relationships and arrangement with affiliates**

Globally, certain affiliates (e.g. Aegon Asset Management Pan-Europe B.V. and Aegon Investment Management BV) assist AEGON AM UK in various capacities including identifying prospective clients, understanding the regulatory requirements in certain foreign jurisdictions, and managing client relationships.

In the US, Aegon USA Investment Management LLC (Aegon AM US), a group company, provides administration and US sales support to Aegon AM UK.

In particular Aegon AM US:

- Provides an additional line of approval for all marketing material to be used in the US;
- Provides legal and compliance support with respect to Aegon AM UK's compliance with US regulations and requirements; and
- Provides sales support for the strategies of Aegon AM UK which are marketed in the US and the broader Americas.

Aegon AM UK serves as investment adviser to an insurance company (Scottish Equitable plc) which is an affiliate part of the Aegon family of companies. Aegon AM UK serves as sub-adviser to Transamerica Asset Management Inc. which is part of the Aegon family of companies.

Aegon AM UK, Aegon AM US, and Aegon AM NL share a Global Research Platform. Aegon AM UK may share investment research, and recommendations on corporate and sovereign debt issuers and securities with certain Aegon AM NL and Aegon AM US personnel. The inputs from Aegon AM NL to Aegon AM UK are facilitated through a Global Sharing Agreement. Aegon AM NL and Aegon AM personnel, with respect to their global research activities, are considered Aegon AM UK associated persons, and are subject to certain of Aegon AM UK's compliance policies and procedures (and related monitoring by Aegon AM UK and Aegon AM NL). Aegon AM UK maintains a list of the employees for each affiliate that Aegon AM UK has deemed an associated person, which Aegon AM UK will make available to current and prospective clients upon request.

Aegon Asset Management affiliates (e.g. Aegon AM US, Aegon Investment Management B.V., Aegon Asset Management UK plc and Aegon Asset Management Hungary B.V.) assist each other with operational support functions in various capacities to integrate and align operational activities.

Aegon AM UK, Aegon AM US and Aegon AM NL independently manage investment strategies that separately utilize and depend on the Global Research Platform. Conflicts of interest, or at least the appearance of conflicts, will arise when portfolio managers from each firm invest or trade in the same securities or issuers on behalf of their respective clients. These conflicts can include advance access to investment research that



results in the preferential treatment or the possibility of preferential allocation of securities trading opportunities that have limited availability.

Aegon AM UK has developed compliance policies and monitoring designed to reasonably ensure that the activities performed by associated persons comply with applicable regulatory requirements and address material conflicts of interest.

**D Foreign financial regulatory authority**

AEGON AM UK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

**Item 11 Code of ethics, participation or interest in client transactions and personal trading**

**A Standard of Conduct**

In line with Rule 204A-1 of the Investment Advisers Act Aegon AM UK has adopted a Code of Ethics Policy ("the Code") for its officers, directors, employees and control persons ("Supervised Persons") that sets forth Aegon AM UK's standards of conduct and requires compliance with federal securities laws. The Code is based on the principle that Supervised Persons owe a fiduciary duty to Aegon AM UK's clients, including the duties of loyalty and care.

Aegon AM UK's Supervised Persons who have access to non-public information regarding US client's purchase or sale of securities, holdings, or research recommendations are deemed to be Access Persons and subject to Code requirements specifically related to personal securities transactions and must conduct their personal trading activities in a manner that does not violate federal securities laws, interfere with client accounts, or otherwise take unfair advantage of client relationships. Similarly, certain personnel of some of Aegon AM UK affiliates (including Aegon AM NL, Aegon AM US) are also treated as Access Persons if they provide Aegon AM UK with investment research, and recommendations through the Global Research Platform. Accordingly, among other things, Aegon Asset Management Access Persons and Aegon AM UK Access Persons, may not:

- a. Profit, or cause others to profit, based on his or her knowledge of completed or contemplated client transactions;
- b. Engage in fraudulent conduct in connection with the trading of securities in a client account; or
- c. Personally benefit by causing a client to act, or fail to act, in making investment decisions.

To further mitigate potential conflicts of interest, the Code imposes restrictions on personal securities transactions in which Access Persons have a beneficial interest, including preclearance and holding-period requirements for certain reportable securities.

Aegon AM UK's Supervised Persons have an ethical and legal obligation to avoid conflict-of-interest situations, disclose potential conflicts, and seek clarification when warranted in line with Aegon AM's Conflict of Interest Policy. Aegon AM UK has also adopted policies that place restrictions on the giving or receipt of payments, donations, political contributions, gifts or entertainment or other non-monetary benefits to or from third parties that could constitute some form of inducement.

To that end, Aegon AM UK's Supervised Persons must comply with restrictions and reporting requirements related to the offering or receipt of gifts and entertainment. Supervised Persons must also obtain pre-approval for outside business activities that could conflict with their duties to Aegon AM UK or its clients.

Conducting our business with integrity, openness and clarity is critically important to us and no single factor is more critical to our success than working diligently at every level and in every role within our organisation.

A copy of Aegon AM's Code of Ethics Policy is available on request.

**B Principal trading**

Aegon AM UK manages accounts on behalf of related persons but does not generally engage in principal transactions involving an affiliate's account buying securities from or selling securities to an unaffiliated client's account. If Aegon AM UK deems it is in clients' best interests and engages in these principal trades, it will do so in compliance with Section 206(3) of the Advisers Act (noting this does not constitute principal trading as defined by local regulations in the United Kingdom).

Cross trades may present a conflict due to the firm representing both the buyer and the seller. Only where there is a benefit to all the clients concerned and where it is permitted by the client and law or regulation, will Aegon AM UK consider a cross trade. Aegon AM UK will not typically undertake cross trades for any US clients.

**C Conflicts of interest in personal trading**

Subject to the restrictions imposed on personal securities transactions within the Code, including blackout and minimum holding periods and preclearance requirements, Supervised Persons are permitted to transact in the same securities for their personal accounts as the firm purchases or sells on behalf of its clients. Supervised Persons also have the opportunity to invest in certain public or private investment vehicles (directly or through their individually managed pension accounts) that are advised or sub-advised by Aegon AM UK.

Aegon AM UK utilises a compliance system which requires its Access Persons to obtain preclearance prior to undertaking a personal trade. Permission is only granted for a limited period and will take into account any open client orders.

**Item 12 Brokerage practices**

**A Broker-dealer selection process**

Aegon AM UK has discretionary authority to select broker-dealers used to place client trades unless otherwise specified by the client.

We retain a list of approved brokers in our order management system. Brokers are approved based on a number of factors, including their ability to:

- Execute a trade promptly, accurately and cost effectively
- Provide a timely order execution report
- Maintain client anonymity
- Complete a trade
- Maximise the opportunity for price improvement
- Search for and obtain liquidity to minimise market impact and accommodate unusual market conditions
- Communicate with us effectively.

All new counterparties must either be proposed or supported by the Aegon Asset Management UK Plc Dealing Desk. The proposal includes a business case, anticipated volumes and measures of financial strength.

Due Diligence checks will be carried out, to determine, amongst other things, credit-strength and relevant registrations. Following which, the proposal will be tabled at the Global Investment Management Risk and Control Committee for consideration and approval.

If the counterparty is approved, the Central Dealing team request information from the proposed counterparty, notably terms of business and any static supplementary questionnaires.

Only when all relevant documentation has been signed-off and the counterparty has been added to the approved broker list are we free to conduct trading with the new counterparty.

We constantly review our counterparties both for trading and research performance as well as general operational performance.

In terms of additional reviews, an annual review will be conducted by Investment Management on trading activity of approved counterparties. In addition, the Middle Office team reviews the credit ratings for each counterparty and monitors any changes over time.

Aegon AM UK does not have affiliated broker-dealers nor do we recommend any broker-dealers to our clients.

**Research and soft dollars**

The principal service Aegon AM UK provides to its clients is the provision of investment management. In providing that service, we will execute orders on behalf of our clients. When executing orders, we must ensure

that we consistently obtain the best possible results, taking into account the different execution factors so far as they apply to each asset class.

Research services are not paid for by client commission; Aegon AM UK pays for non-execution services from brokers. Such arrangements are overseen and governed by the Investment Research, Execution and Oversight Committee.

#### **Brokerage for client referrals**

Aegon AM UK does not consider client referrals in selecting a broker-dealer or directing transactions to a broker-dealer.

#### **Directed brokerage**

When trading financial instruments on behalf of our clients we will normally use our discretion to decide which financial instruments to trade, the size and speed at which we wish to trade, the venues on which those instruments will be available and how to access those venues. Aegon AM UK is willing to consider alternative arrangements should a client wish to direct brokerage and Aegon AM UK recommends the client appoints a third party to administer the scheme. However, clients may instruct Aegon AM UK to execute a specific order or group of orders in a certain way. Depending on the specifics of the order the client has given Aegon AM UK, we may not be able to achieve best execution because the order may prevent us from doing so. In those circumstances, we will try to achieve the best possible results we can whilst following our client's order.

If a client directs brokerage we may not be able to aggregate orders. Aggregating orders may avoid delays in execution and keep costs to a minimum, accordingly, we may group orders together so that trades for a numbers of clients in a certain instrument are executed together. In all cases, we will treat our clients fairly when aggregating orders. If aggregated orders cannot be fully executed, the financial instruments will be allocated to clients in proportion to the size of the relevant client's interest comparative to the size of the original order.

#### **Trade Aggregation and Allocation**

Aegon AM UK allocates investment opportunities among clients in a manner intended to result in fair and equitable treatment to clients over time. Factors that influence a decision to allocate investment opportunities among client accounts may include but are not limited to:

- account investment objectives, guidelines, and constraints;
- current account holdings, including asset class, sector, industry, and issuer concentrations, both on an absolute basis and relative to the account's benchmark;
- desired risk profiles of the account, including credit quality, maturity, or duration distributions, and the impact the proposed investment would have on these measures;
- cash availability and future cash flow expectations;
- legal, regulatory, and similar factors; and
- allocation considerations based on criteria such as round-lot provisions or minimum transaction size.

Accounts that AEGON AM UK manage may trade in the same securities. Given this, Aegon AM UK typically combines transactions for different clients into aggregated orders. This practice can enable the firm to seek more favourable executions and net prices. Portfolio managers can use any method to allocate transactions among participating accounts, provided the method is consistent with Aegon AM UK's policy, is appropriately documented and, over time, no client is unduly favoured over another.

#### **Trade Errors**

Consistent with its fiduciary duties, Aegon AM UK's policy is to take the utmost care in making and implementing investment decisions for client accounts. To the extent that trade errors occur, Aegon AM UK seeks to ensure the client's best interests are served when correcting such errors. Aegon AM UK makes its determinations regarding trade errors on a case-by-case basis, in its discretion, based on factors it considers reasonable, including regulatory requirements and business practices.

A trade error generally is compensable by Aegon AM UK when it is a mistake (whether an action or inaction), in Aegon AM UK's reasonable view, that deviates from the applicable standard of care in managing an account. Aegon AM UK has adopted trade error policies and procedures to guide the resolution of, and to help prevent the recurrence of, such errors.

Aegon AM UK will determine the amount to be reimbursed, if any, based on what it considers reasonable in light of all facts and circumstances related to such errors.

### Item 13 Review of accounts

Investment managers have discretion over clients' portfolios and review the performance and risk on a daily basis, with more frequent reviews depending on the level of activity, change and volatility within each portfolio.

Client guidelines and restrictions are coded into the order management system and monitored by the Portfolio Risk Control Team.

The Chief Investment Officer (CIO) chairs monthly Investment Policy Meetings where investment managers discuss market developments and challenge and debate our core views.

The CIO also chairs monthly performance and risk oversight meetings which are attended by investment managers representing each of the investment areas, as well as by a member of the Portfolio Risk Team. The meetings include discussion on recent and long-term performance against benchmark and risk positioning in both absolute terms and against benchmark.

We have an independent oversight framework which ensures that investment managers take appropriate risks and comply with all client guidelines and regulatory requirements.

#### Client management

Our dedicated client management team works closely with clients to provide services and to understand and meet their reporting needs.

#### Client meetings

All clients have a designated client service contact who will manage the take-on process and the administration of the account. A Client Director will report formally at regular investment and relationship meetings (usually twice per year), along with the portfolio manager or investment specialist. They will also report regularly by telephone.

For these meetings, tailored presentations will be prepared and Aegon AM UK will work closely with clients to ensure content covers all information requirements.

#### Reporting

Monthly and quarterly reporting is available to all clients. Any additional reporting requirements can be discussed with the appointed Client Director as part of the account opening process.

Standard reporting includes:

- Statement of transactions (quarterly and annual) within 5 to 10 business days of period end
- Monthly performance and valuation reports within 15 business days of month end
- Quarterly investment reports
- AAF01/06 internal controls report (a UK internal controls report)
- Custody reconciliations completed with third-party
- All reports are available via PDF documents sent by email or hard copy reports sent by post.

#### Client satisfaction

We monitor client satisfaction against key performance indicators, measured through a combination of regular contact and formal reviews.

We also conduct a client survey which enables us to benchmark our services against competitors. By engaging with our clients in this way we receive honest, constructive feedback that we can act upon.

#### Item 14 Client referrals and other compensation

##### **Client Referrals**

Aegon AM UK has entered into compensation arrangements with its affiliate, Aegon USA Investment Management, LLC which acts as promoter. This arrangement, and others like it, shall comply with Rule 206(4)-1 (Marketing Rule) under the Act when applicable. For arrangements with third-party promoters, Aegon AM UK compensates promoters based on a percentage of the management fee it earns from the account a promoter has introduced, a one-time fee, or a combination of these. These arrangements do not increase the fees charged by Aegon AM UK to any client.

Payment of compensation can cause a promoter to recommend Aegon AM UK over another adviser that does not pay compensation. When a promoter receives compensation from Aegon AM UK, such promoter will have a conflict in advising clients with respect to hiring Aegon AM UK as an investment adviser. Further, promoters might receive different amounts of compensation with respect to different Aegon AM UK strategies and therefore have incentives to favour one or more strategies over others.

Aegon AM UK and its affiliates also receive client referrals from unaffiliated consultants retained by investors. While Aegon AM UK does not directly compensate consultants, Aegon AM UK may from time to time make payments to these consultants to participate in conferences sponsored by the consultants in order to, among other things, obtain information about industry trends and investor investment needs. Any of these activities are intended to enhance the quality of service Aegon AM UK provides for its clients and does not impair compliance with our fiduciary duty.

#### Item 15 Custody

Unaffiliated clients are responsible for selecting their custodians. Aegon AM UK does not act as a qualified custodian for client accounts and, in the normal course of its duties, does not take physical custody or control of client assets.

Clients should receive account statements at least quarterly from their custodian, which they should carefully review. AEGON AM UK urges clients to compare reporting received from Aegon AM UK with statements received directly from their custodian. Please note, Aegon AM UK reporting may vary from custodial statements due to accounting practices, reporting dates or valuation methodologies.

#### Item 16 Investment discretion

Aegon AM UK contracts with institutional clients to provide investment management services, which are documented in an Investment Management Agreement (IMA).

Typically, clients provide discretionary authority to Aegon AM UK to carry out all relevant activities required to provide the investment management service, subject to any requirements and restrictions detailed in the IMA.

#### Item 17 Voting client securities

##### **Active Ownership policy**

For separately managed accounts or sub-advisory activity for pool vehicles, the voting policy is completely individual to the client and the policy and procedure between the client and Aegon AM UK is agreed within the Investment Management Agreement (IMA).

Clients can choose to retain control of all proxy voting, to set their own proxy voting policy (whereby Aegon AM UK is responsible for the administration of voting), or to delegate voting to Aegon AM UK. Delegation particulars can be specified at client request.

Where Aegon AM UK is given discretion to vote, and unless otherwise dictated by a client's preferences, our Active Ownership Policy provides a framework for the process involved, and our UK Stewardship Code Compliance Statement provides a framework for overseeing the performance of the companies in which we

invest. In particular, it deals with our responsibilities, as set out by the Financial Reporting Council's UK Stewardship Code and our adherence to the Dutch Governance Code, although we endeavour to apply the same principles to all client holdings regardless of their listing or domicile.

We consider all shareholder resolutions put forward by the UK-listed and Dutch companies in which we invest and any non-UK listed companies where we own greater than or equal to 0.1% of the issued share capital. Votes held by Aegon AM UK are used to promote the long-term interests of our clients as shareholders. When voting UK-listed companies this generally means the company must follow the UK Corporate Governance Code, which sets out best practices on corporate governance in the UK. However, we recognise that companies are not homogenous in this respect and we strongly support the "comply or explain" model of corporate governance. For this approach to work, companies have to be willing to provide good quality and detailed explanations of the reasons for deviation from established best practice.

When voting outside of the UK, we follow the appropriate regional best practice, where this is defined. Where regional best practice is not defined, we look to international best practice codes such as the Organisation for Economic Co-Operation and Development (OECD) Principles of Corporate Governance.

Where we have a voting-related concern, within practical limits we contact the company ahead of the meeting to discuss our concerns. When we vote against or abstain on an issue, we also write to the company explaining why we have done so and what actions they need to take to ensure our support in the future.

We use the voting advisory services of both The Investment Association (a United Kingdom financial services trade body) and Institutional Shareholder Services, although we review all governance issues on a case-by-case basis and in a pragmatic manner with input from both the Responsible Investment (RI) team and our investment managers. Once we have made a decision, we use the proxy agency voting platform to cast the votes on our behalf. We strive to ensure that votes cast on our behalf by proxy agencies are done so in a manner that is consistent with our voting policies. Where appropriate, we may attend the general meetings of the companies in which we invest.

Our normal practice is to agree engagement and final voting decisions between both our RI team and the relevant investment manager in line with our Active Ownership Policy. Where controversial issues are identified or there is disagreement, the issue is escalated to the desk head and in the case of a disagreement, the final arbiter is the Chief Investment Officer.

We endeavour to avoid lending securities during the proxy-voting period for each company we hold, in order to avoid the loss of shareholder votes which this would entail. Where we have lent securities, in accordance with best practice, we recall those securities to enable proxy voting.

#### **Records**

We record all votes cast and other relevant corporate governance actions on behalf of US clients in accordance with the SEC Investment Advisers Act Rule 204-2(c)(2). These records allow us to monitor each company's progress towards compliance with the appropriate governance codes and to demonstrate to our clients the approach we have taken. In addition, our voting processes and stewardship activities are independently reviewed annually as part of our responsibilities under the review of internal controls (ISAE 3402).

Details of our Active Ownership Policy, as well as our engagement and voting activities are provided on our website at [www.aegonam.com/en/responsible-investing](http://www.aegonam.com/en/responsible-investing).

#### **Managing conflicts of interest**

Asset management is Aegon AM UK's only business and our policies reflect a commitment to acting in the best interests of our investors.

We recognise that situations may arise that could lead to conflicts of interest. Such considerations are covered in our firm-wide Conflicts of Interest Policy. This policy is available at: [www.aegonam.com/en/responsible-investing](http://www.aegonam.com/en/responsible-investing).

Our overriding principle when considering any such conflicts is our fiduciary duty and Treating Customers Fairly (TCF). The obligations under TCF help ensure that we identify our fiduciary responsibilities and act accordingly in the best interests of our clients.

Examples of conflicts of interest that may arise during our voting and stewardship activities include: when an investee company is also a client; where we own both debt and equity in a given company; or where directors of an investee company also sit on the board of Aegon AM UK or our parent company Aegon Ltd.

In such instances, we always prioritise the interests of clients. For those proxies involving a potential conflict of interest, the RI team will inform the Head of Compliance – UK and the Chief Investment Officer of the rationale for any decisions taken and the decision shall be recorded and report such matters to the Aegon AM UK Equity Muti-Asset Portfolio Risk Control Committee on a quarterly basis. Our legal and compliance teams may also be consulted as appropriate.

Aegon AM UK does not vote the shares that it holds in the listed entity Aegon Ltd.

#### Item 18 Financial information

As a registered investment adviser Aegon AM UK is required to provide financial information and disclosures about its financial condition.

**A**      **Prepayment**

AEGON AM UK does not require or solicit prepayment of its investment advisory fee, six months or more in advance.

**B**      **Discretionary authority**

AEGON AM UK does not have financial commitments that impair its ability to meet contractual and fiduciary commitments to clients.

**C**      **Bankruptcy**

Aegon AM UK has not been the subject of a bankruptcy petition at any time.