

# Aegon USA Investment Management, LLC

## Part 2A Brochure

March 29, 2022

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File No. 801-60667

This Brochure provides information about the qualifications and business practices of Aegon USA Investment Management, LLC. 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.

Aegon USA Investment Management, LLC is a registered investment adviser. Registration does not imply any level of skill or training. Additional information about Aegon USA Investment Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 – Material Changes**

The following material changes were made to the brochure dated March 29, 2022:

- Item 5.B., Fees and Compensation - Additional Fees and Expenses:  
This item has been updated to describe the collection of success fees from certain non-discretionary clients for non-securities transactions.
- Item 15., Custody:  
This item has been updated to describe how certain assets, such as leveraged loans, that do not settle on a delivery-versus-payment basis, are treated.

*If you would like a current copy of Aegon USA Investment Management, LLC's Brochure, please contact us at (877) 234-6862 or [aegoninvestments@aegonam.com](mailto:aegoninvestments@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. Overview**

This brochure relates to the investment advisory services offered by Aegon USA Investment Management, LLC, a US-based investment adviser registered with the Securities and Exchange Commission (“SEC”). Aegon USA Investment Management, LLC, utilizes the primary business name Aegon Asset Management US, or Aegon AM US, to market its asset management products and services. Aegon AM US is a limited liability company formed in 2001 under the laws of the State of Iowa. And it is a wholly-owned subsidiary of Aegon USA Asset Management Holding, LLC (“AUAM Holding”) and an indirect wholly-owned subsidiary of Aegon NV, a Netherlands-based financial services organization.

Aegon AM US is part of a broader investment firm using the brand name Aegon Asset Management. References to Aegon Asset Management include various affiliated investment advisory and distribution business units, including Aegon USA Realty Advisors, LLC (“Aegon Real Assets US”) and Aegon Asset Management UK plc (“Aegon AM UK”) (formerly known as Kames Capital plc), each an SEC-registered investment adviser, and various unregistered foreign affiliates (and joint ventures), including Aegon Asset Management Asia LTD, Aegon Asset Management Pan-Europe BV, Aegon Asset Management Value Hub B.V., Aegon España S.A.U. de Seguros y Reaseguros, Aegon Industrial Fund Management Co. LTD, Aegon Investment Management BV (“Aegon AM NL”), La Banque Postale Asset Management SA, Pelargos Capital BV, and Saemor Capital BV. Though legally distinct, the Aegon Asset Management affiliates function as a global business and deliver products and services globally. Aegon AM US believes that this globally integrated model helps it better serve its clients’ needs.

For additional information regarding Aegon AM US’ legal and governance structures, refer to Item 10, Other Financial Industry Activities and Affiliations. Aegon AM US’ principal office is in Cedar Rapids, Iowa, with other offices in Chicago, Illinois and Baltimore, Maryland.

Certain Aegon Asset Management affiliates share global macroeconomic research and jointly participate on a Global Research Platform. Aegon AM US engages Aegon AM NL through participating affiliate arrangements; for more information see Item 8.B, Methods of Analysis, Investment Strategies and Risk of Loss - Methods of Analysis and Item 10.C.1, Other Financial Industry Activities and Affiliations - Relationships with Related Persons: Participating Affiliate Arrangement and Global Research Platform.

### **B. Advisory Services**

Aegon AM US provides discretionary and non-discretionary investment management products and services in similar and different investment strategies to affiliated and unaffiliated institutional clients. These services are offered through a variety of investment vehicles, structures and arrangements which vary by investment strategy and include separately managed accounts, including, but not limited to, foreign or domestic open-end mutual funds and UCITS (Undertakings for Collective Investment in Transferable Securities) funds, collective investment trusts (“CITs”), and private funds. Aegon AM US also provides non-discretionary research services.

Aegon AM US began as a manager of fixed income portfolios and today provides active management of portfolios that invest primarily in fixed income assets classes, but also may utilize equities, private placements

and derivatives. Additionally, Aegon AM US provides customized investment solutions for insurance companies and pension plans.

Aegon AM US engages sub-advisers to manage certain investment strategies on behalf of affiliated and non-affiliated clients.

Aegon AM US tailors its advice to serve the needs of each particular client and, before beginning investment activities, generally requires mutually agreed upon, written investment guidelines or instructions for the client's account(s). Client guidelines can impose reasonable restrictions on investments in certain securities or types of securities.

Additional information about Aegon AM US' investment strategies and services can be found in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.

### C. Assets Under Management

As of December 31, 2021, Aegon AM US had assets under management as follows:

Asset Under Management	US Dollar Amount
Discretionary	\$108,725,584,473
Non-discretionary	\$154,728,724
Total	\$108,880,313,197

## Item 5 – Fees and Compensation

### A. Advisory Fees

Aegon AM US charges advisory fees consistent with applicable statutes and regulations and a client's investment management agreement. For discretionary investment advisory services, fees are typically based on the investment strategy and the client's assets under management, and are negotiable. In some cases, fees are based on the investment performance of the client's account (see Item 6, Performance-Based Fees and Side-by-Side Management).

For non-discretionary services, Aegon AM US will negotiate fees based on the specific services provided. Non-discretionary client fee structures materially differ from discretionary client fees.

Various factors affect a client's fees, including, but not limited to, the services required by the client, affiliated vs. non-affiliated clients, asset class, pre-existing relationship, the size of the account (current or anticipated),

investments in other strategies, or other factors, in Aegon AM US' sole discretion. Aegon AM US may also choose to waive all or a portion of negotiated fees for a given period. Also, for fee calculation purposes, Aegon AM US may agree to aggregate the assets of related client accounts and such accounts may receive the benefit of a lower effective fee rate due to such aggregation. Clients who negotiate a flat fee schedule could pay a higher total fee than those who pay under a tiered fee schedule.

Aegon AM US typically requires a minimum fee amount for each of its product or services. The minimum can differ depending upon the particular investment strategy and product. In certain circumstances, the minimum amount will be waived. Aegon AM US' standard discretionary investment advisory fees are generally based on an account's quarter-end market values.

Aegon AM US seeks to maintain accurate valuations of the holdings in our client accounts. Pricing of all assets held in client accounts occurs at least monthly. To the extent available, Aegon AM US uses readily available market prices and/or independent pricing sources to value client assets. When market quotations are not readily available or when the price provided by a pricing source does not, in our view, represent fair value, Aegon AM US will determine the fair value of an asset. A conflict of interest exists based on the fact that Aegon AM US determines how best to price each asset held in a client portfolio, and those prices are then used to calculate performance, and for some clients, the market value for purposes of calculating investment advisory fees. Aegon AM US seeks to mitigate these conflicts through policies, procedures and oversight by its Securities Valuation Committee.

Aegon AM US does not act as the pricing agent of record in our capacity as adviser or sub-adviser for client accounts, though we will provide assistance to the official pricing agents of those accounts, usually custodian banks or accounting agents, upon request. For example, we will provide pricing information for fair-valued securities held in client accounts. However, the official pricing agent retains responsibility for determining the value of the securities in question.

Clients typically are billed for and pay fees prorated for the portion of the billing period, typically monthly or quarterly, for which Aegon AM US has provided advisory services. Clients typically receive an invoice and pay their fees directly. Fees can be payable and billed in advance or arrears. Other client-specific arrangements are negotiable, depending on specific client circumstances.

Where Aegon AM US collects an advisory fee in advance and does not provide investment services for the entire period, it will prorate the fee to reflect the portion of the period for which it provided investment services and will return any excess fees paid to the client.

## **B. Additional Fees and Expenses**

Aegon AM US' advisory fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses that are typically incurred by clients. Client assets are maintained by an independent custodian; clients pay all custody fees directly to their custodian.

Clients typically incur certain other charges imposed by custodians, brokers and other third parties, such as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund transfer fees and other fees and taxes on brokerage accounts and securities transactions.

In addition to fees calculated based on assets under management, Aegon AM US charges a negotiated, agreed-upon annual fee to certain accounts to cover administrative overhead costs, performance fees or both, as described in Item 6, Performance-Based Fees and Side-By-Side Management.

Derivatives transactions for clients' accounts generally entail brokerage, clearing or other finance charges. For certain accounts, Aegon AM US assesses quarterly or agreed-upon fees for each derivatives contract in the client's account as of the last day of each calendar quarter.

For certain non-discretionary clients, Aegon AM US receives a success fee for non-securities transactions. This conflict is addressed in Item 6, Performance-Based Fees and Side-By-Side Management and Item 12.D, Brokerage Practices - Trade Aggregation and Allocation.

Item 12.A, Brokerage Practices - Selecting Broker-Dealers, describes the factors that Aegon AM US considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Clients 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 account-level fees that Aegon AM US charges for its services.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

In addition to fees described in Item 5, Fees and Compensation, fee arrangements with certain qualified clients as defined by the Investment Advisers Act of 1940, as amended, ("the Act") can include a performance-based fee. Performance-based fee structures generally stipulate a base fee and a participation rate. 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 US. Aegon AM US will structure a performance-fee or incentive-fee arrangement subject to Section 205(a)(1) of the Act and in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 under the Act.

There are inherent conflicts of interest in the side-by-side management of accounts that pay performance fees and other fees (such as the success fees described in Item 5, Fees and Compensation) and accounts that do not. These additional fee arrangements create an incentive for Aegon AM US to take risks in managing assets that would not otherwise be taken in the absence of such arrangements or to provide preferential allocations to such accounts. Similarly, larger accounts could be favored because they generate more revenue. Aegon AM US strives 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.D, Brokerage Practices - Trade Aggregation and Allocation, for additional information about Aegon AM US trade aggregation and allocation practices.



## **Item 7 – Types of Clients**

Aegon AM US provides discretionary and non-discretionary investment advisory services to insurance companies, corporate pension and profit-sharing plans, benefit plans, pooled investment vehicles such as mutual funds, collective investment trusts and privately offered alternative vehicles, charitable organizations, endowments, government plans and municipalities, foreign funds such as Undertakings for Collective Investments in Transferable Securities, other US and foreign institutions, and other investment advisers.

Before agreeing to manage a client's assets, Aegon AM US typically requires a minimum investment of \$50 million, though the minimum can differ depending upon the particular investment strategy, product structure, client vehicle, or client type. In certain circumstances, the minimum amount will be waived.

At the time of client onboarding, Aegon AM US assesses the potential risks and/or conflicts associated with the type of client and confirms that policies and procedures are in place to mitigate identified risks and/or conflicts.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Investment Strategies**

Aegon AM US offers standard investment strategies as well as customized portfolios. Methods of analysis and investment risks for Aegon AM US' standard, marketed investment strategies are presented here. Investment details for non-marketed strategies and customized portfolios are available upon request at (877) 234-6862 or at <mailto:aegoninvestments@aegonam.com>.

Aegon AM US' marketed investment strategies can be broadly classified into three groups:

#### *1. Fundamental Fixed Income Strategies*

Aegon AM US' fixed income strategies include total-return strategies utilizing one or more fixed income asset classes, duration-sensitive or cash flow management strategies and constrained strategies based on client restrictions such as rating limitations, position limits, etc.

#### *2. Multi-Asset Strategies*

Aegon AM US designed its multi-asset strategies to offer broad diversification in a single investment solution. They can be customized to client-specific parameters. Portfolios can have exposure to multiple asset classes, asset managers, geographic regions, or some combination thereof.

#### *3. Investment Solutions*

Aegon AM US has investment solutions which are customized portfolios designed around the client's liability profile. These client-specific solutions include a form of asset-liability management for insurance companies and liability-driven investing for pension plans. Aegon AM US' liability-driven portfolio management framework consists of an assessment of the particular client account, asset/liability analysis in collaboration with company

or plan actuaries, investment strategy development, portfolio construction and ongoing client service and risk management. Aegon Asset Management colleagues who have experience in constructing and managing balance sheet solutions share best practices and thought leadership. These solutions are developed either by Aegon AM US or, in some instances, in conjunction with its affiliates, Transamerica Retirement Solutions, LLC and Transamerica Retirement Advisors, LLC.

### **Derivatives Use**

For these three groups of investment strategies, Aegon AM US designs and executes derivatives strategies for purposes of hedging, risk management and overall portfolio management. Aegon AM US' policy is that all derivatives transactions made on behalf of affiliated or unaffiliated clients must be traded under an approved derivatives program that describes the guidelines for execution and management of the derivatives transactions.

## **B. Methods of Analysis**

Aegon AM US believes the key success factors to strong investment performance over the long-term are the recognition of the asymmetrical nature of risk in the securities market, strong risk management, a long-term perspective and balancing top-down macroeconomic analysis with proprietary bottom-up research as appropriate to the individual strategy.

The investment process for most Aegon AM US fundamental fixed income investment strategies combines top-down macroeconomic outlooks with bottom-up credit research in a procedure overlaid with risk monitoring and risk management. This disciplined process emphasizes consistent research and analysis of fundamentals, sentiment and positioning, technicals and valuation.

The process consists of five primary steps:

1. Idea generation
2. Fundamental, bottom-up credit research
3. Top-down, macroeconomic analysis
4. Portfolio construction
5. Ongoing monitoring and assessment

### **Idea generation**

Portfolio managers, traders and research analysts contribute to idea generation and prioritization. Ideas may be generated from various sources including screening methods, idiosyncratic ideas and assessment of market flows and new issues.

Research analysts also find ideas by monitoring new-deal flow, economic data, news flow at a sector, industry and issuer level and by surveillance of the firm's portfolios.

Portfolio managers may find ideas for analysts to research from new issuance or trade activity in the marketplace.

**Fundamental, bottom-up credit research**

Independent, bottom-up research of issuers, securities, and sectors is a core element of Aegon Asset Management's investment processes. The research managed, generated and shared across certain Aegon Asset Management affiliates is referred to as the Global Research Platform. All portfolio management teams have access to research generated by the firm's Global Research Platform. This platform organizes research analysts into teams that conduct credit, leveraged loans, emerging markets, structured and special situations and distressed research on issuers worldwide.

**Credit research** analysts are responsible for covering issuers within their assigned sector/industry with a focus on either investment grade or high yield for developed markets. Credit analysts utilize a proprietary financial analysis framework that focuses on cash flow generation, debt levels, maturity schedules, liquidity and consideration of future credit profiles. Based on this analysis, research analysts form their own independent view on an issuer's fundamentals and other factors and periodically monitor the factors that influence these views to determine if revisions are warranted. Information from this analysis is shared with portfolio managers to inform trading decisions.

**Leveraged Loans research** analysts are responsible for research on companies that only issue loans and specialize in the loan credits that do not have a strong following since these companies do not issue in the public equity or bond market. They provide the portfolio management team independent opinions and consistent insight that can help generate value-added return opportunities.

**Emerging Markets Debt research** is conducted by a dedicated team responsible for providing in-depth fundamental research of sovereign, quasi-sovereign and corporate debt domiciled in emerging market countries. The team is split between sovereign research and corporate research with both functions primarily organized by region. The sovereign team conducts analysis on each country's economic, political and monetary fundamentals along with any other important factors and considerations. The investment process starts with a top-down, fundamental evaluation of the individual emerging market countries in the investment universe. It then compares its understanding of these fundamentals with sovereign pricing and strives to balance the long-term structural path for each country with market sentiment and technicals to provide perspective for sovereign prices. The corporate team is responsible for the financial and accounting analysis of corporate issuers within the emerging markets, organized by region/country, with broad industry coverage responsible for forecasting relevant financial variables that drive credit pricing and with governance understanding to provide context for credit prices.

**Structured research** uses a team approach to share common resources, themes, and techniques specific to structured credit analysis. Structured research analysts follow specific asset classes (i.e., asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities, with several sub-sectors within each asset class). Analysts specialize in researching each asset's unique characteristics. This may include attributes of the collateral, fundamentals of the Issuers, and features of the structure directing the cash flows.

Structured analysts use proprietary financial analysis that focuses on fundamentals such as collateral performance, issuer strength and the security's structure. Analysts utilize proprietary methodologies including scenario analysis along with third-party software to identify securities that offer attractive relative value versus

designated benchmarks. Analysts form their own, independent view of the security's fundamentals and other factors, and periodically monitor these fundamental factors to determine if revisions are warranted.

**Special Situations and Distressed research** is conducted by a team with expertise in corporate bankruptcy workouts and restructurings. The team's research assesses the substantial risks inherent in reorganization or restructuring of an issuer, as well as the likelihood that the issuer will be able to complete a reorganization or restructuring successfully.

Special Situations and Distressed research analysts develop an investment opinion for companies they evaluate, focusing on key factors such as: business conditions, strategic and competitive positioning, key customers and suppliers, operation efficiency, cash flow generation, debt and liquidity, and capital and legal structure. This process seeks to project potential financial results, value the company's business and assets and estimate creditor recoveries in various scenarios.

#### **Responsible Investing Considerations**

Certain Aegon Asset Management companies, including Aegon AM US, are a covered signatory of the United Nations-supported Principles for Responsible Investment (PRI).

Aegon AM US' investment process seeks to identify and consider financially material environmental, social and governance (ESG) factors as a part of its bottom-up research process. When assessing an issuer's ESG practices, Aegon AM US may take into account a number of considerations associated with environmental, social and/or governance risk that we believe are financially material to an issuer. Environmental considerations may include, but are not limited to, climate change risk, waste and pollution, deforestation and other environmental matters. Social considerations may include, but are not limited to, human rights and labor standards, product safety and liability, workplace safety, data privacy and other social factors. Governance considerations may include, but are not limited to, corporate behavior, corruption, board structure, compliance with relevant laws and other governance aspects. By integrating ESG factors into the fundamental research process, Aegon AM US combines financial criteria with ESG factors to form a holistic view of the issuer. This ESG integration process seeks to identify financially material factors that could affect the issuer's long-term growth potential, profitability or creditworthiness.

Analysts on the credit, structured and sovereign teams utilize a proprietary ESG framework to form an independent view of the issuer's ESG characteristics. For certain products and strategies, the assessment of financially material ESG factors within the research process plays a more prominent role in investment decision-making and/or in constructing ESG-focused portfolios, which utilize a best-in-class ESG selection approach. In addition, for certain investment strategies, the research teams and Sustainable Investment Committee members analyze issuers' alignment with long-term sustainability initiatives to help identify investment candidates for portfolios that may utilize a sustainability-themed investment approach.

#### **Top-down, macroeconomic analysis**

The firm's portfolio managers consider macroeconomic research in the development of broad-based investment themes. Views of the macroeconomic environment and changes in such environments are formulated through standardized inputs among portfolio managers, asset class specialists, strategists and rates specialists across Aegon Asset Management. Global Aegon Asset Management committees analyze fundamental, technical,

sentiment and valuation data. The outlook of the global committees is aggregated by a committee of senior portfolio managers and, through a process of discussion and challenge, distilled into a “global macro view” of the macroeconomic environment, global interest rates, and the relative attractiveness of asset classes over various time periods.

#### **Portfolio construction**

Global macro view outlooks are shared with the portfolio management teams and are taken into consideration when they form their perspectives on the economy and markets and form decisions regarding factors such as duration; yield curve or credit-quality positioning; and sector, country or asset class allocations. To construct portfolios with individual securities, portfolio managers draw on the fundamental research available on the global research platform as one input among others.

Active communication between research analysts and portfolio managers is an important aspect of portfolio construction. Discussion with analysts helps portfolio managers contrast the research analysts’ views on sectors and individual securities with the portfolio management team’s own views of market technicals, investor sentiment and valuation trends.

#### **Ongoing monitoring and assessment**

Portfolios are regularly monitored and rebalanced. Active and ongoing interactions are fostered between portfolio managers, research analysts and risk managers. A dedicated, independent risk management team is responsible for monitoring risk and ensuring portfolio managers and senior management understand risks taken relative to investment objective and benchmark. Overall, teams across Aegon Asset Management work together in an effort to deliver attractive, risk-adjusted performance for clients.

#### **Risk monitoring**

Risk management plays a key role in the firm’s process and culture. Aegon Asset Management’s Global Portfolio Risk Management and Global Portfolio Risk Control teams, which are independent from the investment management teams, review and are involved in new product implementations and client mandates, setting appropriate risk parameters and limits, and ensuring consistency with risk appetite for the firm’s clients. These teams use the tools within the BlackRock® Aladdin® system to monitor compliance with the stated risk and investment guidelines.

### **C. Risk of Loss**

Investing in securities or derivatives involves a risk of loss that clients should be prepared to bear. Aegon AM US 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. Clients should be prepared to bear such losses. Past performance is not an indication or guarantee of future performance.

The descriptions contained below are a brief overview of different risks related to Aegon AM US’ investment strategies; however, these are not intended to serve as exhaustive or comprehensive descriptions of all risks and conflicts that will arise in connection with the use, management and operation of the investment strategies. Clients and Investors should be aware of the primary investment risks, including:

**Active Trading Risk:** The Aegon AM US investment strategies are actively managed and will purchase and sell securities 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. However, the value of these securities tends to vary more with fluctuations in the value of the underlying common stock than with fluctuations in interest rates. 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.

**Counterparty Risk:** Certain accounts are subject to Credit Risk with respect to counterparties to derivatives, repurchase agreements and other financial contracts entered into by the account or held by special purpose or structured vehicles. Adverse changes to counterparties may cause the value of financial contracts to go down. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the value of investment in the account will typically decline.

**Credit Risk:** An investor could lose money if the issuer or guarantor of a fixed income security or the counterparty to a derivatives contract, repurchase agreement, or a loan of portfolio securities is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its obligations. A downgrade of a security's credit rating will typically result in a decrease in its value. A decline may be significant, particularly in certain market environments.

**Currency Risk:** The value of securities denominated in foreign currencies fluctuates as the exchange rates between those currencies and the US dollar change. Currency conversion costs and currency fluctuations could reduce or eliminate investment gains or add to investment losses. Currency exchange rates can be volatile and may fluctuate significantly over short periods of time, and are affected by, among other factors: the general economics of a country, the actions of the US and foreign governments or central banks, and/or the imposition of currency controls and speculation.

**Cybersecurity, Information Security, Technology and Disaster Risk:** Aegon AM US, its affiliates and key service providers utilize 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 and data feeds) to conduct business and operations and to provide services (collectively, "Business Infrastructure").

As with any business, damage to and disruptions to use of or 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, acts of God, 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; labor 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 US 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 US and its affiliates. Such Disruptions may restrict or prevent the delivery or performance of services by Aegon AM US (such as timely execution of investment decisions) or otherwise materially and adversely affect Clients and/or their investments. They may also require Aegon AM US 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:** Derivatives are financial contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate or index. Derivatives typically require the posting of margin (initial and variation). Subsequent calls for higher margin may adversely impact the liquidity of clients' accounts. The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Certain derivative instruments can lose more than the principal amount invested.

**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.

**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.

**Environmental, Social and Governance ("ESG") Risk:** When ESG factors are integrated into the investment analysis, they may impact the investment decisions and, therefore may forgo some investment opportunities available to investors that do not integrate ESG factors or that apply different ESG criteria. ESG is not a uniformly defined characteristic and applying ESG criteria involves a subjective assessment. ESG ratings and assessments of issuers can vary across third-party data providers. ESG criteria can vary over different periods and can evolve over time. Such criteria may also be difficult to apply consistently across regions, countries, industries or sectors.



**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 investments will generally go down when interest rates rise. Interest rates have been at historically low levels; therefore, the investment faces a heightened risk that interest rates may rise. A rise in rates tends to have a greater impact on the prices of longer-term or duration securities.

**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.

**Foreign Markets Risk:** Investments in foreign securities can experience more rapid and extreme changes in value than investments in securities of US companies. The securities markets of many foreign countries are relatively small and have less depth, with a limited number of companies representing a small number of industries. Issuers of foreign securities often are not subject to the same degree of regulation as are US issuers. In the event of nationalization, expropriation, or other confiscation, investors could lose their entire investment in a foreign security.

**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 fund 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.

**Issuer Risk:** The value of a security can decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

**Legal and Regulatory Risk:** Legal developments which may adversely impact investing and investment-related activities can occur at any time. "Legal Developments" means changes and other developments concerning foreign, as well as US federal, state and local laws and regulations, including adoption of new laws and regulations, amendment or repeal of existing laws and regulations, and changes in enforcement or interpretation of existing laws and regulations by governmental regulatory authorities and self-regulatory organizations (such as the SEC, the US Commodity Futures Trading Commission, the Internal Revenue Service, the US Federal Reserve and the Financial Industry Regulatory Authority). Aegon AM US' management of accounts can be adversely affected by the legal and/or regulatory consequences of transactions effected for the accounts.

**LIBOR Replacement Risk:** Various securities use the London Interbank Offered Rate (LIBOR) as a reference or benchmark rate. LIBOR is the average offered rate for various maturities of short-term loans between certain international banks. The majority of LIBOR tenors are expected to be phased out by 6/30/2023. While the effect of the phase out cannot yet be determined, it may result in, among other things, increased volatility or illiquidity in markets for instruments based on LIBOR and changes in the value of such instruments.

**Liquidity Risk:** Aegon AM US may make investments that are illiquid or that become illiquid. Investments may become illiquid due to the lack of an active market, a reduced number of traditional market participants, or reduced capacity of traditional market participants to make a market in securities. The liquidity and value of investments can deteriorate rapidly, and those investments may be difficult or impossible to sell, particularly during times of market turmoil. Illiquid investments can be difficult to value. If Aegon AM US is forced to sell an illiquid investment to meet redemption requests or other cash needs, it may be forced to sell at a loss. Clients may not receive proceeds from the sale of certain securities for an extended period (for example, several weeks or even longer).

**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.

**Management Risk:** Aegon AM US' 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 US' 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:** The market price of securities will go up or down, sometimes rapidly or unpredictably. The value of a security can decline due to general market conditions that are not specifically related to a particular company or industry, such as adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment.

**Model and Data Risk:** Aegon AM US 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 independently 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 US 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 objective.

Successfully implementing any Models and Data as an input into Aegon AM US' 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 is 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.

**Mortgage-Related and Asset-Backed Securities Risk:** The value of mortgage-related and asset-backed securities will be influenced by factors affecting the housing market and the assets underlying such securities. As a result, during periods of declining asset values, difficult or frozen credit markets, swings in interest rates or deteriorating economic conditions, mortgage-related and asset-backed securities may decline in value, face valuation difficulties, become more volatile and/or become illiquid. Mortgage-backed securities may be issued by private issuers, by government-sponsored entities such as Fannie Mae or Freddie Mac or by agencies of the US government, such as Ginnie Mae. Mortgage-backed securities represent direct or indirect participations in, or are collateralized by and payable from, mortgage loans secured by real property. Unlike mortgage-related securities issued or guaranteed by agencies of the US government or government-sponsored entities, mortgage-related securities issued by private issuers do not have a government or government-sponsored entity guarantee (but may have other credit enhancement), and may, and frequently do, have less favorable collateral,

Credit Risk or other underwriting characteristics. Asset-backed securities represent participations in, or are secured by and payable from, assets such as installment sales or loan contracts, leases, credit card receivables and other categories of receivables. The value of mortgage-backed and asset-backed securities may be affected by changes in the credit quality or value of the mortgage loans or other assets that support the securities. Mortgage-backed and asset-backed securities are subject to Prepayment or Call or Extension Risks. Some of these securities may receive little or no collateral protection from the underlying assets. The risk of default is generally higher in the case of mortgage-backed investments that include so-called “sub-prime” mortgages. The structure of some of these securities may be complex and there may be less information available than for other types of debt securities. Upon the occurrence of certain triggering events or defaults, a portfolio may become the holder of underlying assets at a time when those assets may be difficult to sell or may be sold only at a loss.

**Operational Risk:** Accounts are subject to operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, fraud, failure in systems and technology, changes in personnel, and external events or errors caused by third-party service providers. These factors can result in losses to an account.

**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 can lead to significant uncertainty and volatility in the financial markets. The value of investments made or managed by Aegon AM US 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 US’ ability to dispose of the underlying securities will typically be restricted.

**Responsible Investment Risk:** Responsible investment solutions include investment strategies that incorporate specific ESG or sustainability criteria in the portfolio construction process. According to Aegon AM US’ definition, responsible investment solutions include strategies across four key categories: exclusionary, best-in-class, sustainability-themed and impact investments. In addition to integrating 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, 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 favorable ESG or sustainability characteristics may shift into and out of favor 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 AM US 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.

**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.

**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**

On August 27, 2018, the SEC issued an Order Instituting Administrative and Cease-And-Desist Proceedings (Order) naming Aegon AM US and certain of its affiliates. The Order contains SEC findings of federal securities law violations, neither admitted nor denied, related to the period between July 2011 and June 2015, regarding, among other things, errors in Aegon AM US' past operation and/or implementation of asset allocation models and volatility overlays developed and utilized by Aegon AM US when it served as a sub-adviser to certain Transamerica-sponsored tactical and asset allocation mutual funds and underlying funds held by certain variable products, and as a model manager for certain strategies offered in certain separately managed account programs. The Order also states that the parties failed to make appropriate disclosures regarding these matters

and the identity of the initially named portfolio manager for certain of the funds at issue. In addition, the Order states that the parties failed to have adequate compliance policies and procedures.

Aegon AM US ceased to serve as sub-adviser to the tactical funds and asset allocation funds identified in the Order on April 30, 2015, and June 30, 2015, respectively.

Aegon AM US also served as a model manager for certain strategies, identified in the order, offered through the I-Series portfolios, a separately managed account program that provided diversified model portfolios that employed strategic, alternative and tactical asset allocation strategies, offered and advised by Transamerica Financial Advisers, Inc.

Under the terms of the Order, Aegon AM US and certain named affiliates were censured and agreed, without admitting or denying the findings in the Order, to cease and desist from committing or causing any violations of Section 17(a)(2) of the Securities Act of 1933, Section 15(c) of the Investment Company Act of 1940, Sections 206(2) and 206(4) of the Investment Advisors Act of 1940 and Rules 206(4)-1(a)(5), 206(4)-7 and 206(4)-8 thereunder. Aegon AM US paid civil penalties of \$21,000,000, \$24,599,896 in disgorgement and \$3,682,195 in prejudgment interest. The amounts paid in disgorgement, prejudgment interest and civil penalties were deposited into a Fair Fund ("Fund") for distribution to affected investors. Affected investors are those who purchased or held an interest in any of the relevant mutual funds, variable life insurance and annuity investment portfolios and separately managed account strategies during the period between July 1, 2011, and June 30, 2015. The Order states that these investors are to receive from the Fund an amount related to the *pro rata* fees and commissions paid by them during that period, plus interest, subject to a *de minimus* threshold.

In accepting the settlement, the SEC considered the substantial cooperation and the remedial efforts of Aegon AM US and its named affiliates. In the Order, the SEC acknowledged that, after the start of the SEC staff's investigation but before the settlement, Aegon AM US and named affiliates had voluntarily retained a consultant to conduct a comprehensive independent review of certain compliance policies and procedures, internal controls and related procedures, and that the consultant's written findings had been received and proposed changes implemented. The SEC also acknowledged that, in advance of receiving recommendations from the consultant, the named parties had already begun making revisions and improvements to their compliance policies and procedures. The SEC also considered that the named parties retained the consultant for further reviews through 2020.

The language in the settled Order does not impose any restrictions on Aegon AM US' business activities.

The foregoing is only a brief summary of the Order. A copy of the Order is available on the SEC's website using the following **LINK**.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Legal and Governance Structure**

As mentioned in Item 4.A, Advisory Business – Overview, Aegon AM US is a direct wholly-owned subsidiary of AUAM Holding. AUAM Holding, and in turn, Aegon AM US, are indirect wholly-owned subsidiaries of Transamerica Corporation, which in turn is an indirect wholly-owned subsidiary of Aegon NV.

Aegon AM US' day-to-day affairs are overseen by a local Board of Managers and managed by local officers. The Board of Managers of AUAM Holding appoints and removes Aegon AM US' Board of Managers in its sole discretion. While maintaining local leadership, accountability, oversight and control, Aegon AM US operates within 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. Registered Representatives**

Certain management persons and employees are registered representatives of an unaffiliated broker-dealer. These arrangements support distribution of Aegon Asset Management's products but are not significant to Aegon AM US' core institutional investment management activities.

### **B. Registration as Commodity Trading Advisor**

Aegon AM US is registered as a Commodity Trading Advisor (CTA) with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA) effective August 2015. Certain management persons and employees are Associated Persons under Aegon AM US' CTA registration.

### **C. Relationships with Related Persons**

#### *1. Participating Affiliate Arrangement and Global Research Platform*

As referenced in Item 8.B., Methods of Analysis, Investment Strategies and Risk of Loss - Methods of Analysis, Certain Aegon Asset Management affiliates, consisting of AAM US, AAM UK, Aegon NL, and Aegon España, share a Global Research Platform. Neither Aegon AM NL nor Aegon España are registered with the SEC or any US state authorities. Aegon España receives, but does not contribute, research to the Global Research Platform.

Aegon Asset Management internally shares investment research, market observations and general investment considerations on corporate and sovereign debt issuers and securities. The inputs from Aegon AM NL and to Aegon AM US are facilitated through a participating affiliate arrangement. Aegon Asset Management investment personnel are considered Aegon AM US access persons subject to local policies and Aegon Asset Management's global policies and procedures and related monitoring controls. A list of Aegon AM NL associated persons will be made available to current and prospective clients upon request.



Aegon AM US' investment professionals use the global investment research, market observations and general investment considerations from certain Aegon AM NL and Aegon AM UK personnel as an input in their investment decision-making process. All decision making relating to securities selection and portfolio construction and maintenance of Aegon AM US' US client accounts is performed by the Aegon AM US personnel.

Aegon AM US and its affiliates independently manage investment strategies that rely on the Global Research Platform. Conflicts of interest, or at least the appearance of conflicts, will arise when portfolio managers from across Aegon Asset Management invest or trade in the same securities or issuers on behalf of their respective clients. These conflicts can include access to investment research that results in the possibility of preferential allocation of securities trading opportunities that have limited availability.

Aegon AM US relies on local and global policies and monitoring designed to reasonably ensure that the activities performed by personnel in the Global Research Platform comply with applicable regulatory requirements and address material conflicts of interest.

## *2. Aegon Real Assets US and Aegon AM US Employee Sharing and Services Sharing Agreement*

Aegon AM US and Aegon Real Assets US share facilities and other central services, and allocate costs between them.

## *3. Dual Employees and Shared Resources*

Aegon AM US maintains relationships with certain of its affiliates or persons under common control, including:

- Certain non-US senior managers who work within Aegon Asset Management are involved in aspects of Aegon AM US' business activities, but do not exercise control over setting strategy, policy or investment decision making. All decision making relating to securities selection and portfolio construction and maintenance of Aegon AM US' US client accounts is performed by the Aegon AM US personnel.
- Various investment personnel within Aegon Asset Management collaborate on development of the global house view (see Top-Down Analysis under Item 8.B, Methods of Analysis, Investment Strategies and Risk of Loss - Methods of Analysis), generate internal global investment research and may support other related activities.
- Aegon AM US may act as a discretionary or non-discretionary co-manager or co-subadvisor along with its affiliates (Aegon AM NL and Aegon AM UK) for foreign investment vehicles.
- Aegon AM US offers a bundled solution to employer plan sponsors for defined benefit pension plans whereby it provides fixed income investment advice and its affiliate, Transamerica Retirement Advisors, LLC provides advice on equity investments. Another affiliate, Transamerica Retirement Solutions, LLC may separately contract directly with the client to provide non-advisory support services.
- Certain Aegon AM US Supervised Persons (as defined in Item 11.A, Code of Ethics – Standards of Conduct) serve as dual employees, including as senior managers, officers, or directors, for various

affiliates (e.g., other Aegon Asset Management companies, various Transamerica insurance companies and Massachusetts Fidelity Trust Company, a Transamerica-owned trust company).

- Aegon AM US shares facilities with affiliates (e.g., Aegon Real Assets US and various Transamerica insurance companies) and relies on, utilizes and receives the benefits of, and shares with affiliates and the broader Aegon organization, centralized business functions such as operations, information technology, information systems, human resources, business continuity, legal, finance, payroll, compliance, enterprise risk management and internal audit. Many of these activities are performed through global matrix reporting arrangements. Some of the centralized services can have a portion of the process outsourced to a third-party provider.
- As a fiduciary, Aegon AM US has the duty to ensure the adequacy of all of its service providers, including its affiliates. A potential conflict can arise when Aegon AM US utilizes affiliated entities as service providers that could limit its ability to effectively evaluate or terminate that service relationship; however, Aegon AM believes the contractual agreements and arrangements that it has in place with its affiliated service providers adequately mitigate this potential conflict.
- Certain Supervised Persons will be involved in investment decision making, trading processes, or administration for accounts managed on behalf of insurance affiliates (e.g., various Transamerica insurance companies).
- Aegon Asset Management affiliates provide assistance with marketing and client relationship activity. Certain affiliates (e.g., Aegon Asset Management Asia LTD, Aegon Asset Management Pan-Europe BV, Aegon Investment Management BV, Aegon Real Assets US and Aegon Asset Management UK plc) assist Aegon AM US in various capacities, including identifying prospective clients, understanding the regulatory requirements in certain foreign jurisdictions and managing client relationships.

Aegon AM US has implemented oversight and governance standards and internal controls to address these relationships with related persons, including the supervision of its Supervised Persons serving in dual capacities.

#### *4. Insurance Companies and Other Affiliates*

Aegon AM US serves as investment adviser or sub-adviser to various insurance companies (e.g., Transamerica) and affiliates that are part of the Aegon family of companies. These affiliates' combined assets represent the largest portion of Aegon AM US' assets under management. Aegon AM US also performs administrative and back-office functions on behalf of these affiliated insurance companies that are not generally performed for unaffiliated clients.

#### *5. Pooled Investment Vehicles*

Aegon AM US serves as sub-adviser for several open-end mutual funds that are sponsored and managed by Transamerica Asset Management, Inc., which is part of the Aegon family of companies, and a registered investment adviser with the SEC. Transamerica Capital, Inc., an Aegon affiliated broker-dealer, serves as the mutual funds' distributor.



Aegon AM US serves as the investment adviser and/or managing member to various onshore and offshore private funds, some of which are only offered to affiliated insurance company clients. Aegon Asset Management and its employees are investors in certain of these private funds.

Aegon AM US serves as sub-adviser or co-manager to a number of pooled investment vehicles sponsored or managed by Aegon AM US (e.g., Massachusetts Fidelity Trust Company).

#### *6. Other Investment Advisers*

Aegon AM US serves as the sub-adviser for its Aegon Asset Management affiliate, Aegon AM NL. Aegon AM NL may also delegate additional sub-advisory mandates or co-sub-advisory mandates to Aegon AM US as well as offer certain Aegon AM US-advised private funds in the Netherlands.

Aegon AM US has an arrangement in place whereby its Aegon Asset Management affiliate (Aegon AM UK, an SEC-registered investment adviser), can delegate sub-advisory mandates to Aegon AM US, as well as offer certain Aegon AM US advised private funds in the United Kingdom. Aegon AM US acts as a solicitor on behalf of Aegon AM UK in the US and in certain other jurisdictions. Aegon AM US has also appointed Aegon AM UK to sub-advise certain private funds offered to Aegon AM clients.

Aegon Asset Management affiliates also collaborate in various capacities including understanding the regulatory requirements in various jurisdictions and managing relationships with service providers, distributors, clients, and prospects.

#### *7. Service Providers*

In certain circumstances, Aegon AM US uses service providers also used by affiliates, including affiliated registered investment advisers (Aegon Real Assets US, Aegon AM UK, Transamerica Asset Management, Inc., Transamerica Retirement Advisors, LLC, and Transamerica Financial Advisors, Inc.), broker-dealers (Transamerica Capital, Inc., Transamerica Investor Securities Corporation, and Transamerica Financial Advisors, Inc.) and registered investment companies advised by Transamerica Asset Management, Inc. or which are affiliated with subadvisors used by affiliated registered investment advisers. Aegon AM US maintains procedures and controls designed to avoid or mitigate any potential conflicts of interest that may arise related to common service providers with other Aegon Asset Management and Transamerica service providers.

#### *8. Conflicts of Interest*

Affiliate relationships, the most significant of which are insurance companies (e.g., various Transamerica insurance companies), represent Aegon AM US' largest clients. A conflict of interest, including, but not limited to, conflicts of interest when allocating investment opportunities, will arise when Aegon AM US is acting on behalf of its own accounts or accounts of affiliated and unaffiliated clients. In each case, Aegon AM US recognizes the responsibility to treat all clients fairly and consistently, and portfolio decisions made for unaffiliated accounts will be equitable, where applicable, with the decisions made for affiliated accounts.

Aegon AM US provides investment research that it creates for its discretionary investment advisory clients to a non-discretionary affiliate client (La Banque Postale Asset Management SA). Aegon AM US has addressed the

conflicts of interest by limiting the research provided to issuer-level research and not providing trade recommendations to the affiliate. Similarly, Aegon AM US prepares investment research for a non-discretionary third-party client that could benefit its discretionary clients.

## **D. Foreign Financial Regulatory Authority**

Aegon AM US is a Qualified Foreign Institutional Investor (“QFII”) registered with the China Securities Regulatory Commission but does not manage any QFII assets. A QFII designation allows licensed foreign investors to participate in the Chinese A-shares equity and RMB bond markets.

Aegon AM US is registered with the South Korean Financial Supervisory Service as a Cross-Border Discretionary Investment Manager.

## **Item 11 – Code of Ethics**

### **A. Standards of Conduct**

Aegon AM US complies with Aegon Asset Management’s Global Code of Ethics (“the Code”) for its officers, directors, employees and control persons (“Supervised Persons”) that sets forth 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 clients, including the duties of honesty, good faith and fair dealing. Aegon Asset Management investment personnel are treated as Access Persons and subject to oversight and global policies when they provide Aegon AM US with investment research, receive investment research from the Global Research Platform, or are involved in a participating affiliate arrangement.

Aegon Asset Management personnel who have access to non-public information regarding US clients’ purchase or sale of securities, holdings, or research recommendations are deemed to be Access Persons and are therefore subject to enhanced Code requirements, specifically related to personal securities transactions.

Access Persons must conduct their personal activities in a manner that does not violate federal securities laws, interfere with client accounts, or otherwise take unfair advantage of client relationships. Accordingly, among other things, Access Persons may not:

- Profit, or cause others to profit, based on his or her knowledge of completed or contemplated client transactions;
- Engage in fraudulent conduct in connection with the trading of securities in a client account; or
- 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. Access Persons also have the opportunity to invest in certain public or private investment vehicles that are advised or sub-advised by Aegon AM US or Aegon Real Assets US.

Supervised Persons have an ethical and legal obligation to avoid material conflict-of-interest situations, disclose potential conflicts and seek clarification when warranted. To that end, 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 or with clients.

Clients can obtain a copy of Aegon AM US' Code of Ethics by calling (877) 234-6862, sending an email request to [aegoninvestments@aegonam.com](mailto:aegoninvestments@aegonam.com), or sending a written request to:

AEGON USA Investment Management, LLC  
6300 C Street SW  
Cedar Rapids, IA 52499  
Attention: Chief Compliance Officer

## **B. Principal Trading**

Aegon AM US manages accounts on behalf of related persons. It is generally Aegon AM US' intention to not engage in principal transactions involving unaffiliated client accounts. Aegon AM US maintains policies and controls to permit such transactions when it is permitted by the client and regulatory requirements and deemed appropriate for all clients involved. Aegon AM US will conduct any principal transactions in compliance with Section 206(3) of the Act.

See Item 12.E, Brokerage Practices - Cross Transactions for a description of cross trades.

## **C. Other Financial Interests**

In certain circumstances, Aegon AM US invests client assets in Collateralized Loan Obligations ("CLOs") it manages, but issued by third parties, in lieu of other manager's CLOs. Aegon AM US seeks to mitigate any related conflicts of interest by ensuring that any such investments do not increase its fees or the compensation of the portfolio managers involved in managing the CLOs.

## **D. General Investment Advice**

Aegon AM US serves as investment manager for many clients, including accounts managed by affiliates. Aegon AM US and its Supervised Persons can give advice or take action in performing duties for certain affiliated, non-discretionary clients' portfolios, or for their own accounts, that differs from advice given to or action taken for another client. Aegon AM US is not obligated to buy, sell or recommend for another client any security or other investment that it or its affiliates can buy, sell or recommend for any other client or for their own accounts. It should be expected that, given the differences in client types and differences in their respective investment objectives, advice given to, or investment decisions implemented for, one or more clients will compete with, affect, differ from, conflict with, or involve timing different from, advice given to or investment decisions made for other clients. Further, Aegon AM US provides investment services or advice on specific securities or other investments that is made available to affiliated clients only.

## **E. Investments in Different Parts of an Issuer's Capital Structure**

Aegon AM US faces potential conflicts of interest when it, on behalf of one or more of its clients, invests in different instruments, classes of securities or parts of an issuer's capital structure. Aegon AM US periodically faces circumstances where, on behalf of clients with different investment objectives, or when clients have different financial interests, it pursues rights or privileges with respect to an issuer that has, or may have the potential to have, an adverse effect on certain other clients. It is possible that in connection with an issuer's insolvency, bankruptcy, reorganization, or similar proceeding, a client will be limited (by applicable law, courts or otherwise) in the positions or actions it will be permitted to take due to other interests held by or actions or positions taken by Aegon AM US.

Aegon AM US addresses conflicts that can arise between clients based on the specific facts and circumstances relying on its internal oversight processes and committees to provide guidance. Aegon AM US will seek to resolve these conflicts in each affected client's best interests. However, under the circumstances, the conflicts may not necessarily be resolved in favor of every client. Some clients may receive greater benefits while other clients may receive less benefits or higher losses than had the conflicts not existed.

## **Item 12 – Brokerage Practices**

### **A. Selecting Broker-Dealers**

Aegon AM US has discretionary authority to select broker-dealers used to place client trades, unless otherwise specified by the client. Aegon AM US has policies and procedures in place to ensure that fixed income and equity trades are only placed through approved brokers, which does not include affiliated brokers. Derivatives traders can only act on quotes from brokers with whom pre-existing derivative trading agreements are in place, either with clients or Aegon AM US. These agreements include, but are not limited to, ISDA/CSA agreements, execution agreements and give-up agreements.

Aegon AM US prohibits trades to be placed with brokers based on conflicts of interest, such as their receipt of gifts and entertainment, fund distribution, client referrals, recommending Aegon AM US' services to current or prospective clients or personal relationships. Finally, Aegon AM US has not entered into any soft dollar arrangements and does not pay-up for research.

Aegon AM US shall seek to direct the execution of securities transactions for its clients in such a manner that the client's total cost or proceeds in each transaction are the most favorable under the circumstances. Aegon AM US recognizes that seeking best execution relies on a comprehensive trading process that incorporates various qualitative and quantitative factors, as well as retrospective review and oversight.

Although the best net price or yield for fixed income transactions, giving consideration to brokerage commissions, spreads and other costs is an important and primary factor when traders select an appropriate broker for a given transaction, traders also consider other factors when seeking best execution for client trades, such as: their knowledge of negotiated commission rates and spreads, the nature of the security or instrument to be traded, the size and type of transaction, the nature and character of the markets, the desired timing of

the trade, the need for confidentiality and anonymity and the broker's settlement capabilities, reputation and financial strength.

Secondary factors will also be considered, such as: direct access to a broker's trading desk and the broker's contact persons' familiarity with Aegon AM US' business and interests, the extensiveness of the broker's network and its ability to fill orders in limited availability securities, the extent to which a broker is willing to commit its own capital to fill difficult trades, broker research and market intelligence, the extent to which the broker is able to provide access to companies through trade shows, conferences or other contacts, new issue allocations and a broker's execution services rendered on a continuing basis. However, any secondary factors considered will not outweigh obtaining best net price in any given transaction and Aegon AM US will not pay-up for research.

Traders placing derivatives transactions for clients seek competitive price quotations and multiple bids from brokers for which Aegon AM US or its clients have established trading arrangements. In seeking best execution, derivative traders may also consider the following prior to placing derivatives transactions with brokers: speed of a broker's quote, trading expertise and skill, integrity, trading facilities, responsiveness and capacity/capability in specific derivative transactions.

Aegon Asset Management has policies, procedures and oversight committees that are responsible for overseeing and monitoring best execution.

## **B. Soft Dollar Benefits**

Most of Aegon AM US' trading on behalf of clients is with respect to fixed income securities traded on a principal basis that do not involve the payment of brokerage commissions and do not generate soft dollar credits. With respect to brokerage transactions involving equity securities, Aegon AM US does not use client assets to pay for research or to generate soft dollar credits.

Broker-dealers, including those used by Aegon AM US to execute trades for clients, provide research to Aegon AM US, at no cost. Generally speaking, such research includes written reports on: the economy, industries, sectors, and individual companies or issuers; appraisals and analysis relating to markets and economic factors; statistical information, political analyses and reports on legal developments affecting specific issuers; and information on technical market actions, credit analyses and analyses of corporate responsibility issues.

Aegon AM US' receipt of research presents a conflict of interest because Aegon AM US receives a benefit that it does not have to pay for from its or its client's resources. This could incentivize Aegon AM US to select broker-dealers based on the receipt of research rather than receiving the most favorable execution. Aegon AM US seeks to eliminate this conflict of interest by directing brokerage transactions to those broker-dealers whom it believes provide best execution.

Generally speaking, research obtained from broker-dealers does not relate to specific client trades. Research received under these arrangements will be used in the management of all Aegon AM US client accounts, including accounts of clients who might not have traded with broker-dealers that provide research. Aegon AM US believes that, in the aggregate, research it receives supplements Aegon Asset Management's internal

research, and to the extent used, assists with its investment decision-making responsibilities. Aegon AM US also shares certain internally generated research with its affiliates.

### **C. Directed Brokerage**

While Aegon AM US generally selects broker-dealers to place client trades, clients can select broker-dealers at their own discretion. If a client directs Aegon AM US to place securities transactions through a broker-dealer, the client should consider the following factors:

- The arrangement could compromise Aegon AM US' ability to seek best execution.
- Aegon AM US will not typically negotiate commissions on the client's behalf, which could result in higher commissions, or less favorable net prices than would be the case if it alone selected the broker-dealers.
- The arrangement might prohibit the client from participating in aggregated trades for other client accounts, which could result in less favorable executions.
- The account might not generate returns equal to those of other Aegon AM US clients in the same strategy who do not direct brokerage.

### **D. Trade Aggregation and Allocation**

Aegon AM US 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 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, tax and similar factors; and
- allocation considerations based on criteria such as round-lot provisions or minimum transaction size.

Portfolio managers can use any method to allocate transactions among participating accounts, provided the method is consistent with Aegon AM US' policy, is appropriately documented, and, over time, no client is unduly enriched or disadvantaged.

Many accounts managed by Aegon AM US trade in the same securities and other assets, which will impact the prices and availability of those securities and other assets. Aegon AM US seeks to eliminate this conflict by aggregating orders for its clients and executing at an average price. This practice can enable Aegon AM US to seek more favorable executions and net prices. However, there will be circumstances where it may not make sense to do so given the size, price, or economic interests of the other client orders.

A potential conflict of interest can arise if transactions in one or more accounts closely follow related transactions in one or more other accounts, such as when a purchase increases the value of securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account. In the event that Aegon AM US is unable to combine orders to transact in the same security for clients or when it believes that is not in the best interest of its clients broadly to do so, it will attempt to sequence the orders in such a manner as to obtain the best outcome for all clients involved. Orders placed to raise cash for imminent client withdrawals or comply with client investment guidelines will typically take precedence over other orders.

Aegon AM US will attempt to aggregate orders in the same security for both discretionary and non-discretionary clients provided that each participating non-discretionary client is able to confirm its participation in a proposed order in a timely manner. Aegon AM US will not delay placing an order for execution for discretionary clients while awaiting non-discretionary client approval if doing so would negatively impact the quality of execution and price, among other factors necessary to seek best execution, for discretionary clients.

## **E. Cross Transactions**

Aegon AM US typically executes trades in client accounts through the open market. When deemed in clients' best interests, permissible by regulation and client agreement, and consistent with its best execution obligations, Aegon AM US will facilitate internal cross trades between two unrelated client accounts. When a mutual fund is involved, the internal cross transactions will be executed in accordance with the limitations and requirements, including pricing methodology, of Rule 17a-7 under the Investment Company Act of 1940. A conflict of interest exists when Aegon AM US engages in internal cross transactions as Aegon AM US is advising both clients. Aegon AM US seeks to mitigate this conflict through policies and procedures that require any internal cross transactions to be effected at fair market value.

Aegon AM US engages in internal cross trades involving two or more affiliated client accounts. Aegon AM US does not receive compensation for such cross transactions. These transactions are typically priced using one of the following two standards established by the client:

- Assets transferred between accounts for the same affiliated client are considered book value transfers. These transfers can occur at any time using the book values as of the end of the prior month.
- Assets transferred between affiliated clients during the first ten business days of the month take place at the most recent month-end prices. Transfers that occur at any other time during a month are re-priced, subject to Aegon AM US' pricing policies and procedures and transferred within two business days.



Aegon AM US does not intend to engage in cross trades involving ERISA accounts.

## **F. Trade Errors**

Consistent with its fiduciary duties, Aegon AM US' 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 US seeks to ensure the client's best interests are served when correcting such errors. Aegon AM US 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 US to a client or fund when it is a mistake (whether an action or inaction), in Aegon AM US' reasonable view, that deviates from the applicable standard of care in managing an account. Aegon AM US has adopted trade error policies and procedures to guide the resolution of, and to help prevent the recurrence of, such errors.

Aegon AM US 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.

In the event Aegon AM US identifies a trade error prior to the transaction settlement date, it will generally book the correct transaction into the client's account and reverse and book the incorrect trades into an Aegon AM US proprietary error account. The Client will be reimbursed for any adverse impact as a result of the trade error. The transaction will not likely be reflected on the client's account statement. An open-market transaction to offset any incorrect trade will be performed in Aegon AM US' error account. The correcting transaction will be done in a manner where Aegon AM US bears all the market risk (and will absorb any losses and retain any gains), while the client's account is not financially impacted. If the foregoing process cannot be followed due to the nature of the error or the level of gain or loss, then Aegon AM US shall determine the proper course of action on a case-by-case basis.

Aegon AM US will generally correct any trade error identified after the original transaction settlement date by executing open-market transactions in the client's account. Both the error and correction will be reflected in the client's account. Aegon AM US will reimburse the client's account for any losses, including any related transaction costs. The client's account will retain any gains. In general, Aegon AM US will net gains and losses across a client's accounts related to the same trade error.

## **Item 13 – Review of Accounts**

Aegon AM US frequently reviews client accounts. Portfolio managers who have discretion over a client's portfolio are expected to review the portfolio's performance and account fundamentals on a daily basis. The portfolio managers also review risk analysis and performance dispersion among client portfolios in the same or similar strategy. The frequency of review varies, depending on the level of activity, change and volatility inherent with each account.

Aegon Asset Management's global Portfolio Risk Management team openly communicates with portfolio managers and senior management to help them better understand the risks taken relative to the investment



objectives and benchmarks for each investment strategy/portfolio. This is done through regular communication of analysis quantifying, deconstructing and evaluating risk. Formal monthly meetings occur as well as informal individual meetings and communications with portfolio managers. During monthly meetings, portfolio and risk managers highlight trends and shifts in portfolio analytics and the impact investment decisions have had on performance, risk and expected volatility of the portfolios.

In addition to the activities listed above, a risk and control committee meets each month. Committee attendees include the Chief Investment Officer, key investment personnel and senior representatives from other functional areas. This committee provides oversight to ensure that portfolios are managed in line with contractual obligations and that a repeatable, sustainable, and efficient process is applied to all portfolios and products. Investment performance is reviewed quarterly by the Committee.

Client investment guidelines are monitored on a daily basis by Aegon Asset Management's global Portfolio Risk Control team, a compliance oversight function that is separate from the portfolio management team. When necessary, portfolio managers are involved to resolve any identified compliance issues.

For affiliated insurance company clients, reports typically are provided monthly, quarterly and annually. Reports on account composition, trading activity and yields are provided monthly. Reports on investment income trends and gains and losses are provided at least quarterly.

For unaffiliated clients, written reports typically are provided on a monthly basis. The content of these reports may include, based on client preference: market commentary, account summaries of monthly and year-to-date account changes, performance information, account statistics, quality distributions and any applicable credit-rating changes, a description of the account's holdings and any purchases or sales.

## **Item 14 – Client Referrals and Other Compensation**

### **A. Client Referrals**

Aegon AM US has entered into distribution arrangements with certain affiliated (e.g., Transamerica Investors Securities Corporation, Transamerica Retirement Advisors, LLC, Transamerica Retirement Solutions, LLC, Aegon Asset Management Asia LTD, Aegon Real Assets US and Aegon Asset Management Pan-Europe BV) and non-affiliated persons who act as solicitors. Any such relevant arrangements will, at all times, be maintained in compliance with Rule 206(4)-3 under the Act. When compensation is involved, Aegon AM US typically compensates solicitors based on a percentage of the management fee it earns from the account a solicitor has introduced, pays a one-time fee, or a combination of these. These arrangements do not increase the fees charged to Aegon AM US' clients. Aegon AM US also acts as a solicitor for Aegon Asset Management affiliates.

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

Aegon AM US and its affiliates also receive client referrals from unaffiliated consultants retained by investors. While Aegon AM US does not directly compensate consultants, it 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. In addition, Aegon AM US and its affiliates have historically purchased products or services from these consultants or their affiliates.

## **B. Other Compensation**

Other than compensation received directly from Aegon AM US, employees cannot accept any form of compensation for providing advisory services. Aegon Asset Management maintains written policies and procedures with respect to the giving and receipt of gifts and entertainment. These policies and procedures are reasonably designed to comply with applicable law, including pay-to-play restrictions. The policies and procedures prohibit giving or receiving gifts, entertainment, donations or contributions that Aegon AM US determines are lavish or excessive under the circumstances.

## **Item 15 – Custody**

Unaffiliated clients are responsible for selecting their custodians. Aegon AM US 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.

Aegon AM US performs various back-office functions for affiliated clients, some of which constitute custody under Rule 206(4)-2 of the Act. With respect to these arrangements, Aegon AM US has implemented the following custody controls:

- reasonable due inquiry to verify that the custodians provide clients with at least quarterly account statements;
- internal policies and procedures and other controls designed to prevent and mitigate Aegon AM US or its employees having unauthorized access to client assets; and
- annual surprise examinations by an independent public accountant to verify the existence of client assets.

Aegon AM US invests in certain assets, such as leveraged loans, that do not settle on a delivery-versus-payment basis and are not clearly covered by the Custody rule. This is an industry-wide challenge. Aegon AM US does not have custody of these assets or have the ability to possess these assets or withdraw them from client accounts. Aegon AM US seeks to protect client assets and interests by demonstrating good faith to comply with the spirit of the Custody rule, maintaining internal policies and controls, and, out of an abundance of caution, subjecting accounts holding these assets to annual, independent auditor inspections.

For certain private funds, in lieu of a surprise examination, Aegon AM US delivers clients audited financial statements (presented in accordance with the requisite accounting principles) within the requisite timeframe

specified in the Custody Rule. Private funds that do not have audited financial statements will be subject to a surprise examination.

The auditors chosen to perform the surprise examinations and private fund audits are independent public accountants registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Clients should receive statements from their qualified custodian at least quarterly. Clients are encouraged to carefully review their custodian's statements. The custodian's statements represent the client's official account records. To ensure all account transactions are proper, Aegon AM US urges clients to compare statements received from Aegon AM US to statements received directly from their custodian. Aegon AM US statements can vary from custodial statements due to accounting practices, reporting dates or valuation methodologies for certain securities.

## **Item 16 – Investment Discretion**

Aegon AM US typically accepts discretionary authority to manage securities accounts on behalf of its clients. Aegon AM US typically enters into an investment management agreement with its clients or sub-advisory agreements with relevant third parties. As part of the client onboarding process, Aegon AM US will review and negotiate the agreement with the client. In situations where Aegon AM US has discretionary authority pursuant to the client agreement, an investment policy statement or investment guidelines may be agreed to by the client that could limit its discretionary authority. These guidelines are reviewed and discussed with the client during the onboarding process. When exercising discretionary authority, Aegon AM US determines, without obtaining specific client consent, the types and quantities of securities to buy and sell. Aegon AM US will not typically begin managing a client's account without a signed agreement that includes investment guidelines.

Accounts are generally defined as discretionary as long as Aegon AM US is able to implement its investment strategy. All discretionary accounts are included in composites used to present performance results. Aegon AM US will also enter into arrangements where it does not exercise investment discretion, such as when a client imposes conditional trading authority or material investment strategy restrictions.

Aegon Asset Management engages in a variety of investment activities that can result in its Supervised Persons obtaining material, nonpublic information. In such instances, Supervised Persons must contact Compliance, which is authorized to take appropriate measures to prevent Aegon AM US and its Supervised Persons from unlawful trading on the basis of material, nonpublic information. The measures can include information barriers or a general restriction on trading in the relevant issuers. When a trading restriction is imposed by Compliance, Aegon AM US will not be able to direct trades that it would otherwise make in client accounts, which could result in client accounts experiencing losses or being otherwise disadvantaged.

## **Item 17 – Voting Client Securities**

Aegon AM US votes proxies on behalf of all client accounts for which it has the requisite discretionary authority, except for situations in which (i) any Client notifies Aegon AM US in writing that it has retained, and intends to exercise, the authority to vote its own Securities, or (ii) for ERISA clients, Aegon AM US has determined, in

accordance with its fiduciary duty and its proxy voting policy, that refraining from voting a proxy is prudent or required under ERISA. Upon instruction from the client, Aegon AM US will vote such securities within the client's guidelines, unless contrary to applicable law.

Aegon AM US primarily manages client portfolios of debt securities. For most fixed income clients, the issues for which Aegon AM US votes fixed income securities generally involve amendments to loan documentation, borrower compliance with financial covenants, registration rights, prepayments, insolvency and other distressed creditor situations. Aegon AM US does not maintain specific proxy voting policies or guidelines regarding categories of issues that come before fixed income security holders. The firm votes fixed income matters on a case-by-case basis, taking into account the unique circumstances related to a particular borrower and other relevant factors.

Aegon AM US also votes proxies related to equity securities that it advises. Fixed income clients will occasionally receive equity interests resulting from the restructure of debt security investments or in other special situations. Aegon AM US will also vote proxies on the exchange-traded funds (ETFs) to which it provides investment advice and mutual funds that it sub-advises. Routine proxy matters associated with equity securities (including, but not limited to, electing boards of directors, selecting auditors, shareholder rights, proxy contests, corporate governance matters, and executive and director compensation) typically are voted in accordance with standard guidelines, as long as they are consistent with Aegon AM US' fiduciary obligations (under the Advisers Act and ERISA, if applicable, given the specific facts and circumstances of each proxy).

Aegon AM US will vote proxies when doing so is in the best interest of its clients, taking into consideration all factors relevant to the matters presented. In some situations, acting in the client's best interest will include abstention from voting. Accordingly, Aegon AM US will generally abstain where (i) it believes the cost of voting proxies outweighs the benefits of doing so, and (ii) for ERISA Clients, it believes voting a proxy would not be (a) in accordance with the economic interest of the Client, after consideration of all material facts and associated costs, or (b) required under ERISA. For example, Aegon AM US will abstain from voting where the cost of voting securities outweighs the benefits (e.g., voting on international securities where personal appearance is required, not having sufficient information to vote the proxy, etc.).

Where Client accounts are governed by ERISA, Aegon AM US shall decide whether and how to exercise voting rights pursuant to its fiduciary duties under ERISA (which includes, for example, an assessment as to whether the ERISA Plan documents (e.g., Plan, Trust, etc.) explicitly provide that Aegon AM US is or is not authorized to vote proxies). When deciding whether and how to exercise proxy voting authority, and when exercising proxy voting authority, Aegon AM US must: (a) act solely in accordance with the economic interest of Client, (b) consider any costs involved, (c) not subordinate the interests of the Client to any non-pecuniary objective, or promote non-pecuniary benefits or goals unrelated to those financial interests of the Client, (d) evaluate material facts that form the basis for any particular proxy voting authority or other exercise of shareholder rights, (e) exercise prudence and diligence in the selection and monitoring of persons, if any, selected to advise or otherwise assist with exercises of shareholder rights, such as providing research and analysis, recommendations regarding proxy votes, administrative services with voting proxies, and recordkeeping and reporting services.

In fulfilling its proxy voting responsibilities, Aegon AM US can face conflicts of interest. Aegon AM US has implemented internal processes designed to prevent conflicts of interest from influencing proxy voting decisions it makes on behalf of its clients. For those proxies involving a conflict of interest, Aegon AM US will seek to avoid any impropriety or the appearance of any impropriety. Aegon AM US might also retain an independent third party to research the proxy and recommend a vote. Aegon AM US may face conflicts of interest in voting proxies for discretionary and non-discretionary client accounts. Aegon AM US reserves the right to not follow non-discretionary client proxy voting instructions in instances where it determines that such action presents a material conflict of interest or could result in harm to its discretionary clients.

Clients can obtain a copy of Aegon AM US' complete proxy voting policies upon request. Clients can also obtain information about how proxies were voted on behalf of the client's account(s) by contacting (877) 234-6862 or <mailto:aegoninvestments@aegonam.com>.

### **Item 18 – Financial Information**

A registered investment adviser is required to provide clients with certain financial information or disclosures about its financial condition. Aegon AM US does not require or solicit pre-payment of its investment advisory fees six months or more in advance, it does not have financial commitments that impair its ability to meet contractual and fiduciary commitments, and it has not been the subject of a bankruptcy proceeding.