AON

Q4 2024

Aon Managed Diversified Asset

Defined contributions

Fund information

Issuing company	Aegon/Scottish Equitable plc
Inception date	15 Dec 2014
Benchmark	Bank Of England Sterling Overnight Index Average
Entry Fees	No
Exit Fees	No
Performance Fee	No
Additional Expenses	0.03%
Fund size	£200.18m
Fund type	Pension
ISIN	GB00BRJMCS77
SEDOL	BRJMCS7
Domicile	United Kingdom
Use of Income	Accumulation
Base Currency	GBP

An annual management charge will also be incurred in addition to the additional expenses shown.

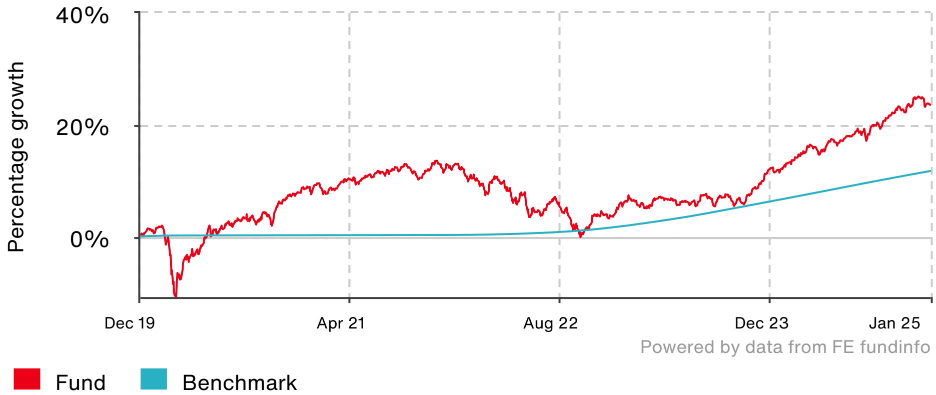
Relative Risk Profile

These risk ratings are only applicable to funds available via TargetPlan. Other risk ratings apply across the rest of our fund range and they, or ratings from other providers, are not comparable. Be aware that even lower risk investments can fall in value.

Fund objective

The Fund aims to outperform its benchmark by 3.25% per annum, before the deduction of fees, over a rolling market cycle. The Fund aims to achieve this by investing in a diversified portfolio of assets which can include actively and passively managed funds and which will provide exposure to a range of different assets at any one time.

Fund performance



	3 Months	YTD	1yr	3yrs	5yrs
Fund	1.6%	10.1%	10.1%	3.1%	4.3%
Benchmark	1.2%	5.1%	5.1%	3.7%	2.2%

	Dec 19 to Dec 20	Dec 20 to Dec 21	Dec 21 to Dec 22	Dec 22 to Dec 23	Dec 23 to Dec 24
Fund	7.9%	4.7%	-8.1%	8.2%	10.1%
Benchmark	0.2%	0.1%	1.4%	4.6%	5.1%

Past performance is not a reliable guide to future performance. The value of investments and the income from them can fluctuate and are not guaranteed. Investors may not get back the full amount invested.

Source FE fundinfo. Performance shown is gross of the annual management charge but is net of additional expenses (if any) incurred within the fund. The annual management charge will reduce the performance figures shown. Performance for periods over a year is annualised (% per year).

Contact Us: PBOCOMQueries@aegon.co.uk

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Fund Split as at 31 Dec 2024

AE LGIM FOUR FACTOR IND HEDGED O	14.8%
AE UBS GLOBAL EQ CLIMATE TRANS O	13.0%
AEGON AM EUROPEAN ABS O	11.5%
AE JANUS HEND ASSET-BACKED SEC O	11.4%
AE BR SYS MULTI ALLO CRED O	11.1%
AE BR ISHARES PHYSICAL GOLD O	7.2%
AM LIQUIDITY O Prvt	6.8%
AE T ROWE PRICE DYN GLOBAL BOND O	5.9%
AE BLK ABSOLUTE RTN BOND (BLK) O Prvt	5.9%
AE BLK ALL STKS UK GLT IDX (BLK) N	5.6%
Total	93.2%

Source of fund breakdown and holdings: Fund mgmt group

Fund Commentary

The Aon Managed Diversified Asset Fund aims to outperform its cash-based benchmark by 3.25% p.a. gross of fees over a full market cycle (typically five to seven years). The Fund aims to achieve this objective by investing across a range of assets including passively managed global equities, actively managed absolute return bonds, emerging market debt, asset backed securities, passively managed corporate bonds, fixed interest government bonds and alternative assets (such as gold, listed infrastructure and real estate investment trusts).

During the quarter, we increased our allocation to absolute return bonds with a reduction allocation to asset-backed securities. This reflects our medium-term view and the increased attractiveness of absolute return bonds, especially with the expectation of falling interest rates over the next 12-18months.

Performance Commentary

Over the three-month period to 31 December 2024, the Fund returned 1.6% against a backdrop of positive equity and mixed bond market returns.

Global equity markets rose during the fourth quarter of 2024, largely driven by US equities, despite an increase in volatility following the US Federal Reserve's interest rating meeting in December. US equities benefited from better-than-expected economic growth and the depreciation of the pound against the US dollar, which resulted in higher returns in sterling terms. In contrast, returns were mixed in other markets; both UK and European equities fell, while Japanese equities performed well.

Government bonds fell in value over the quarter due to rising yields, driven by a gradual increase in global inflation and the expectation of fewer interest rate cuts in 2025 across most major economies. The Bank of England cut interest rates by 0.25% to 4.75% p.a., while the Federal Reserve reduced its rate twice by 0.25%, bringing interest rates down to a range of 4.25% to 4.50% p.a. Meanwhile, the European Central Bank also cut its interest rate by 0.25%, to 3.50% p.a.

Investment-grade corporate bonds also fell in value over the quarter, as rising bond yields more than offset the benefits of falling credit spreads (the difference between government and corporate bond yields) and the income return.

The Fund’s allocation to equities was positive. The UBS Global Equity Climate Transition Fund returned 6.3%, reflecting strong market returns from most equity markets and exposure to the US dollar, which appreciated against the pound. The UBS Global Emerging Market Equity Climate Transition Fund fell 1.8%, primarily due to concerns about the potential impact of Trump's proposed tariffs, particularly in China. The allocation to multi-factor equities provided a positive return, partly offset by exposure to the pound and an underweight to large-cap technology stocks which performed strongly following Trump’s election.

The Fund’s allocation to credit delivered positive returns. The allocation to asset-backed securities continued to provide positive returns, benefiting as interest rates remained high, with Aegon and Janus Henderson returning 1.6% and 1.7%, respectively. The BlackRock Systematic Multi Allocation Credit Fund returned -0.8%, with negative returns from investment grade bonds and emerging market credit more than offsetting gains from high-yield bonds. The allocation to absolute return bonds also performed well, with BlackRock and T-Rowe Price returning 0.7% and 2.7% respectively.

The Fund's allocation to government bonds returned -3.1%, as yields rose on the expectation that interest rates would remain higher for longer due to rising inflation. The gold allocation delivered a negative return, as gold prices fell. The allocation to cash generated a positive return.

Since inception, the Fund has returned 3.3% p.a.

Aon Managed Diversified Asset

Differences in performance reporting between fund and benchmark may arise due to the impact of timing, charges, cashflows, and the pricing basis of the underlying fund. Fund returns are calculated on a total return basis with dividends reinvested.

The value of your plan depends directly on a number of things, including the level of your pensions savings, charges, investment returns and the annuity rates available to buy your pension income when you decide to take your benefits. Levels and basis of, and reliefs from, taxation can also change. Any money that you invest in the plan is tied up until you take your retirement benefits. You cannot normally take the benefits until at least the age of 55.

The value of investments can fluctuate. Fluctuations may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Changes in exchange rates will affect the value of overseas investments. Emerging market investments are often associated with greater investment risk. Two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to repay the principal and make interest payments.

Aon Investments Limited (AIL) has been appointed as the investment manager of this fund. AIL is authorised and regulated by the Financial Conduct Authority. Aon Investments Limited, The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AN. Registered in England No: 5913159

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Source: Scottish Equitable plc.

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