

Aon Managed Bond Phase

Defined contributions

Fund information

| | |
|---------------------|------------------------------|
| Issuing company | Aegon/Scottish Equitable plc |
| Inception date | 15 Dec 2014 |
| Benchmark | Composite Benchmark |
| Entry Fees | No |
| Exit Fees | No |
| Performance Fee | No |
| Additional Expenses | 0.03% |
| Fund size | £7.56m |
| Fund type | Pension |
| ISIN | GB00BRJMCX21 |
| SEDOL | BRJMCX2 |
| 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

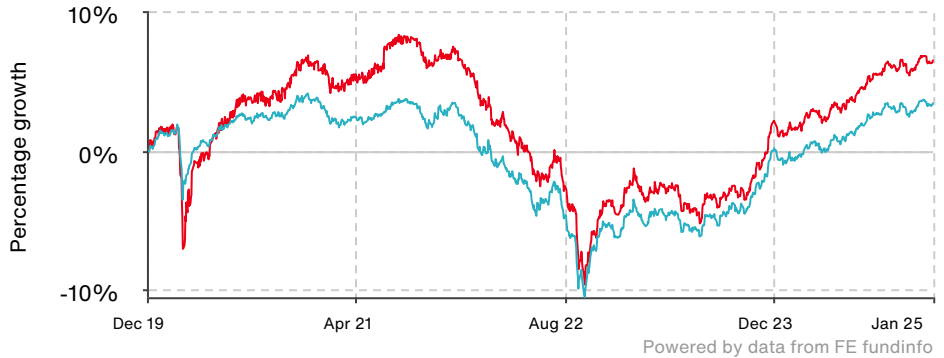


These risk ratings are only applicable to funds available via TargetPlan. Other risk ratings apply across the rest of our fund range and they, or ratings from other providers, are not comparable. Be aware that even lower risk investments can fall in value.

Fund objective

The Fund aims to outperform its benchmark by 1.0% per annum gross of fees over rolling three-year periods. The Fund aims to achieve its objective by investing in a range of Aon Managed funds that invest in a mix of global bonds (across of broad spectrum of credit quality), cash and sterling denominated non gilts (mainly corporate bonds).

Fund performance



| | 3 Months | YTD | 1yr | 3yrs | 5yrs |
|-----------|----------|------|------|------|------|
| Fund | 0.4% | 4.4% | 4.4% | 0.1% | 1.3% |
| Benchmark | 0.4% | 3.4% | 3.4% | 0.3% | 0.7% |

| | 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 | 6.8% | -0.5% | -10.1% | 6.9% | 4.4% |
| Benchmark | 4.1% | -1.5% | -8.5% | 6.6% | 3.4% |

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).

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Fund Split as at 31 Dec 2024

| | |
|---------------------------------------|--------|
| AM DIVERSIFIED MULTISTRAT BOND O Prvt | 50.1% |
| AM PASSIVE CORPORATE BOND O Prvt | 49.9% |
| Total | 100.0% |

Source of fund breakdown and holdings: Fund mgmt group

Fund Commentary

The Aon Managed Bond Phase Fund aims to outperform its composite benchmark by 1.0% per annum, on a gross of fees basis, over rolling three-year periods by investing in different types of bond funds.

The Fund invests 50% of its assets in the Aon Managed Diversified Multi Strategy Bond Fund. The Aon Managed Diversified Multi Strategy Bond Fund invests in two absolute return bond funds, two funds that provide exposure to asset backed securities, a rules-based fixed income strategy and a cash fund; the manager of each makes active decisions to outperform its respective benchmark (commonly known as 'active investment'). The remaining 50% of the Aon Managed Bond Phase Fund is invested in the Aon Managed Passive Corporate Bond Fund, which in turn invests in a sterling corporate bond fund that aims to track the performance of its benchmark (commonly known as 'passive investment'). The combination of underlying managers and underlying bond securities creates a diversified portfolio that aims to generate smoother returns over the longer term.

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 12-18 months.

Performance Commentary

Over the three-month period to 31 December 2024, the Fund returned 0.4% against a backdrop of mixed corporate bond and government bond market returns.

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 T-Rowe Price Dynamic Global Bond Fund was the best-performing strategy and returned 2.7%, benefiting from interest rate positioning and credit selection in the US high yield and global investment grade market. The BlackRock Absolute Return Bond Fund returned 0.7%, benefitting from its allocation to European asset-backed securities and short-dated global investment corporate bonds. This was partially offset by exposure to long-dated global development markets, as yields rose quickly.

The allocation to asset-backed securities continued to perform well, benefiting from high-interest rates. Both managers generated positive returns, with the Aegon European Asset Backed Securities Fund and the Janus Henderson Asset Backed Securities Fund 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 cash generated a positive return.

The remaining 50% of the Fund is invested in the Aon Managed Passive Corporate Bond Fund, which returned -0.5% and in line with returns from corporate bond markets over the quarter.

Since inception, the Aon Managed Bond Phase Fund has generated a return of 2.6% p.a. and delivered these returns with a low level of risk.

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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.

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