CREDO WEALTH

Market Capitalisation	US$9.7bn
Return on Equity	8.5%
Solvency II	155%
Leverage	28.4%
Fixed Charge Cover	6.7x
Long term debt rating	A- / A3
Subordinated credit rating	BBB

Aegon is one of the world's largest insurance companies, with a market capitalisation of US$9.7bn. In 2015 Aegon wrote gross premiums of €20.3bn of which €17bn was life insurance, €2.7bn was accident and health insurance, and €0.6bn was general insurance. Aegon's business is predominately based within the US, the Netherlands, and the UK though they also have exposure to Asia and smaller European markets.

The group has continued to improve profitability, yet they lag peers with an 8.5% adjusted Return on Equity (RoE) in 2015, marginally improved from 2014. Profitability, to an extent, is constrained by strong capital adequacy, businesses in run-off, and low interest rates. The group targets a RoE of 10% by 2018, predominately via organic growth and cost savings.

For the fourth time in the last 18 months, financial results have disappointed. In the latest announcement, underlying earnings came in at €462m, 5% below consensus. However, this was largely due to the US division, and broadly in line with local peers. From a debt perspective, the reduction of their Solvency II ratio from 160% to 155% was a cause for concern. Yet this can be attributed to two major causes. The first was a €400m distribution to shareholders in the form of a share buyback and a €280m dividend. The second was the reduction in the Solvency II ratio from 150% to 135% for the group's Netherlands operations, which were due to widening mortgage spreads. The company stated that this ratio remained in line with their target range of 140 - 170% and therefore does not foresee any capital injection. Assessing the group's Solvency II sensitivity, it is relatively attractive in a stress scenario as it is more resilient than peers.

Assessing the current portfolio of investments, a majority of assets are high quality credits with 92% investment grade, 24% "AAA" rated, and the average weighted quality being "A" rated. It is important to note the areas of material exposure, which include Dutch mortgages through direct origination, investments in mortgage-backed securities, and Dutch financials. Additionally, the portfolio of US credits has a 10% exposure to energy, but management has stated that a risk of permanent loss of capital is limited and expected impairments are below the long-term average of 0.28%.

As of December 2015, financial leverage stood at 28.4%, within the group's target range of 26 - 30%. Since 2011, leverage has been cut by approximately 25%. The fixed charge cover has followed a similar trajectory, falling by 40% since 2011. It currently stands at 6.7x, comfortably within the 6 - 8x range. The credit rating agencies refer to a material increase in leverage affecting Aegon's credit rating. This is defined as either sustainability above 40% leverage or less than 4x fixed charge cover. In considering the leverage, it is important to note that the group's material obligations under its pension scheme expose it to interest rate and longevity risk. The sensitivity of this exposure to spreads and interest rates was highlighted in 2014, as it impacted shareholder equity by €0.9bn.

Without taking a stance on macroeconomic events and interest rate rises – not least because they are notoriously difficult to predict – it is important to note that these can have a substantial impact on fixed income portfolios. This bond, however, offers diversification from the travails of the majority of fixed income assets in a rising rate environment. It is priced significantly under par at 63, and has fallen considerably more than peers to give a yield of 2.85%, making it one of the few investment grade bonds where we see material upside. We are comfortable holding the Aegon credit as a result of the overall group strength, improving leverage trajectory, and relatively resilient group Solvency II ratio. Please contact your investment advisor for further details and to ascertain whether this bond is suitable for you given your investment objective, attitude to risk and financial circumstances. Please refer to important notice at the end of this document.

INCOMEPLUSPORTFOLIOS

The Credo Income Plus portfolios ("CIP") are three high conviction bond portfolios across 2 currencies, each with a minimum targeted annual return that we would expect to achieve over the life of the portfolios, assuming bonds are held to maturity.

Investment Process

Investment Universe
- Primary market is Eurobonds in various currencies
- $150m or £100m minimum issue size

Screening
- Both quantitative and qualitative
- Eliminate bonds that offer inadequate compensation or have significant risks

Analysis
- Balance sheet strength
- Cash flow
- Profitability
- Reputation of issuer
- Terms of debt
- Interest rate sensitivity
- Debt maturity

Portfolios Construction
- Aim to achieve diversity across both industry and maturity
- Portfolios of typically 7-12 high conviction holdings

Ongoing monitoring and analysis

Execution

Unlike the equity world, bonds are generally traded telephonically and 'best price' is not always shown on data sources such as Bloomberg. It is important, therefore, to have a large network of trusted broker-dealers and intermediaries to ensure that bonds are traded at the best possible levels. We have a wide network of market contacts and counterparties making Credo a very attractive house through which to purchase these instruments.

Liquidity

The corporate bond market can become illiquid especially during times of financial stress. In addition certain bonds have large minimum dealing sizes that may be in excess of an individual client's position. It is therefore possible that an investor who wishes to redeem bonds before the stipulated redemption date may not be able to sell as and when required at the reported price if indeed at all. We will endeavour to aid liquidity for sellers.

Portfolios

Low Volatility

Appropriate for the more cautious investor. Bias towards high quality short dated senior investment grade bonds. The portfolio takes little risk in terms of credit and sensitivity to interest rates. A relatively low level of volatility can be expected.

Medium Volatility

This portfolio will take on a little more risk but should still not exhibit significant volatility. We may invest in longer dated bonds and subordinated debt. Some holdings may further not be investment grade. The portfolio is likely to contain more financial exposure but an emphasis on quality will be maintained.

High Volatility

For the more adventurous investor, this portfolio will contain significant exposure to financial paper, longer dated bonds and special situations. The portfolio is likely to experience significantly more volatility than the others. A material part of the portfolio will nonetheless be investment grade.

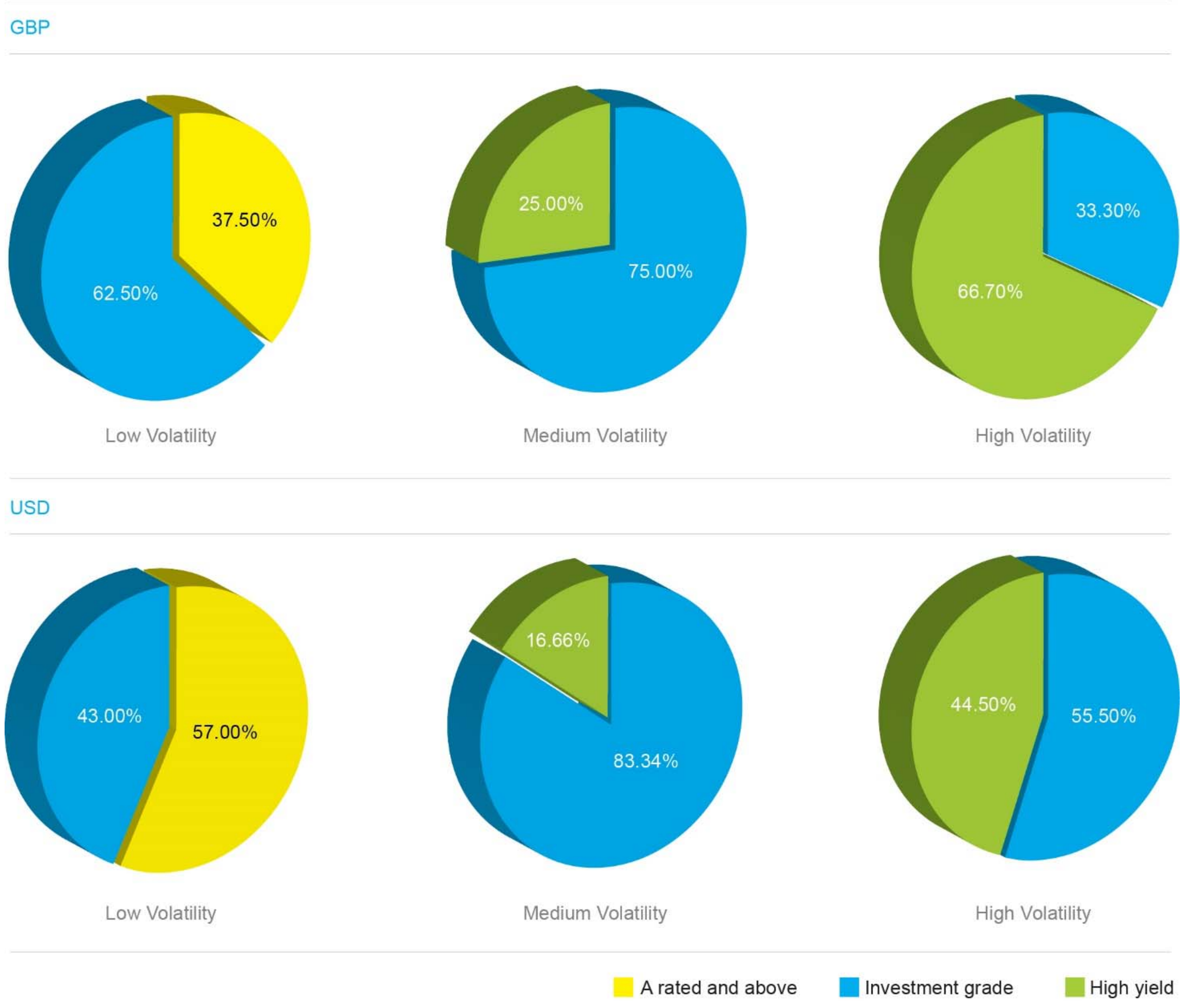
Current Portfolios

GBP	Target	Yield*
Low Volatility	2% +	1.83%
Medium Volatility	3% +	4.72%
High Volatility	5% +	6.00%

USD	Target	Yield*
Low Volatility	2% +	1.76%
Medium Volatility	3% +	4.49%
High Volatility	5% +	6.03%

(*) For the annual yield we have estimated the most conservative likely outcome for investors.

Risk Ratings



Investment Terms

Minimum Investment: £100,000 or US$150,000

Implementation

Investors should note that the minimum lot sizes of specific bonds that trade in the market are all different, with some as low as £1,000 and others as high as £200,000. Against this background, there may at times be some delay in aggregating orders. In some cases where we do not reach the minimum lot size within a suitable time frame, we may select alternative bonds.

Important Notice

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This document contains forward looking information that is based on current opinions and expectations. Actual results could differ materially from those anticipated in the forward looking information.

Investors are warned that past performance is not necessarily a guide to future performance, income is not guaranteed and security prices may go up or down and if you invest in CIPs you may not get back your original capital invested. The value of your investments may also rise or fall due to changes in tax rates and rates of exchange if different to the currency in which you measure your wealth. Companies in the Credo Group and their respective directors, members and employees may have positions in the companies and may have given advice in relation to the companies in the last twelve months.

Investors should note that annual yields shown are before any charges or fees are levied and are indicative as at 6 June 2016.

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