

Aegon AM – FA Webinar Content

Brian Westhoff, CFA, Head of Multi-Sector Portfolio Management

Ben Miller, CFA, Co-Head of High Yield

Jason Felderman, CFA, Senior Bank Loan Portfolio Manager

September 20, 2018



Aegon Asset Management is the global investment management brand of the Aegon Group N.V. and is comprised of Aegon USA Investment Management, LLC (Aegon Asset Management U.S.), Aegon USA Realty Advisors, LLC (Aegon Real Assets U.S.), Kames Capital plc (Kames Capital) and other Aegon affiliates. Aegon Asset Management U.S., Aegon Real Assets U.S., and Kames Capital are SEC registered investment advisers.

27142_PPMFBD0918

For institutional client use only - not for use with the public



Presented By



fa-mag.com

Economic progress, finally acceleration?

Fiscal stimulus, high confidence, and negative short real rates globally are supportive of faster U.S. and global growth

Key economic metrics

Metric	2013	2014	2015	2016	2017	2018*
Real GDP (% YoY change)	1.8	2.4	2.6	1.6	2.3	2.75
Unemployment (%)	6.7	5.6	5.3	4.9	4.4	3.9
Core PCE	1.3	1.4	1.3	1.7	1.5	1.9
Fed Funds Rate (%)	0.25	0.25	0.50	0.75	1.50	2.25
10-year Treasury Rate (%)	3.03	2.17	2.27	2.45	2.41	3.10

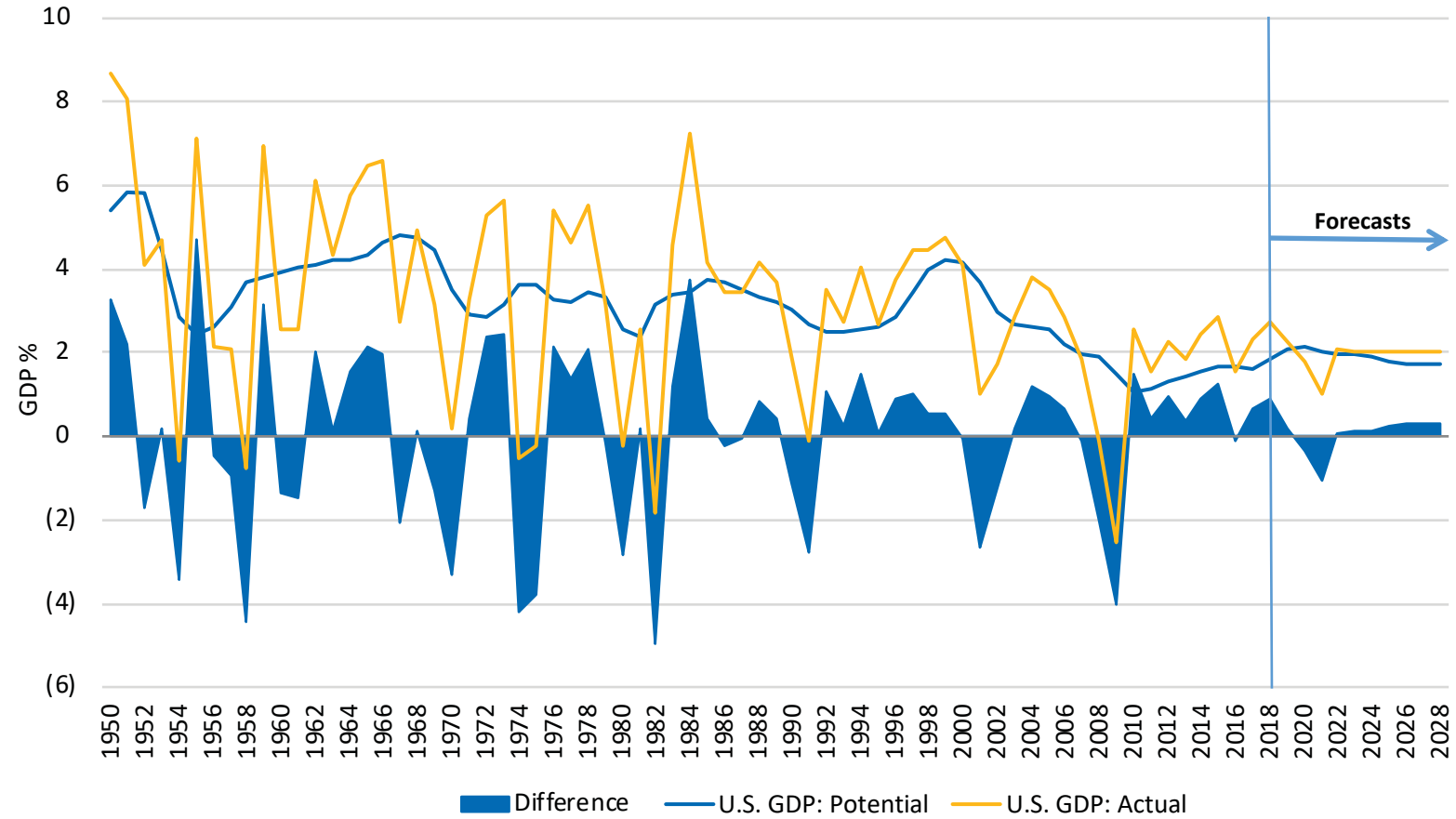
Source: U.S. Treasury, Haver Analytics

*Aegon AM U.S. Investment Strategy Team year end forecasts

The goalpost for growth has shifted

Slow growth in absolute terms, but still decent relative to potential

U.S. GDP growth, actual vs. potential

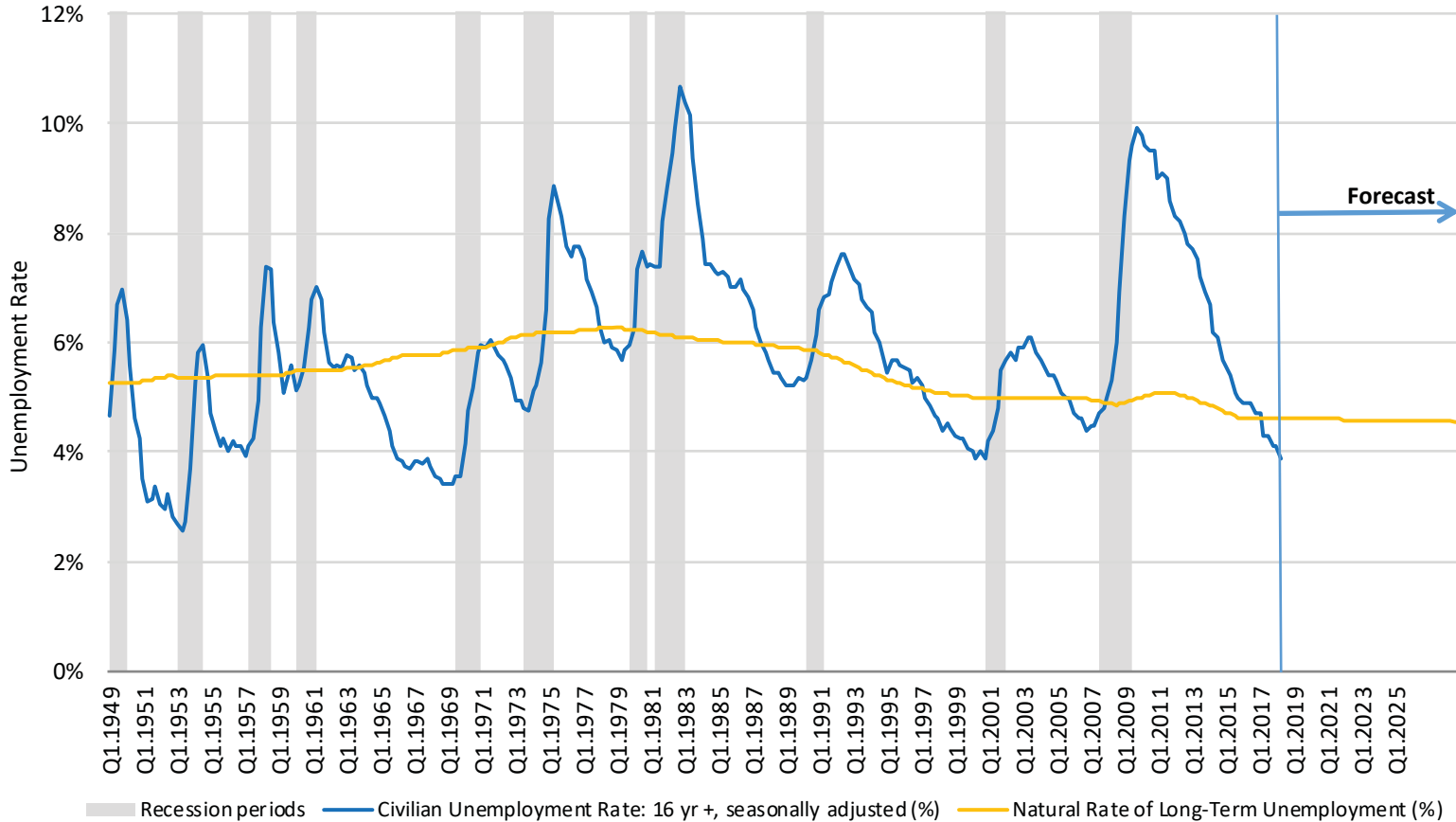


Source: Bureau of Economic Analysis (BEA), Congressional Budget Office (CBO), Haver Analytics, Aegon AM U.S. Investment Strategy. As of August 2018.

U.S. labor market improvement

Unemployment rate has steadily declined since most recent peak during last recession

Long-term natural rate of unemployment vs. actual unemployment

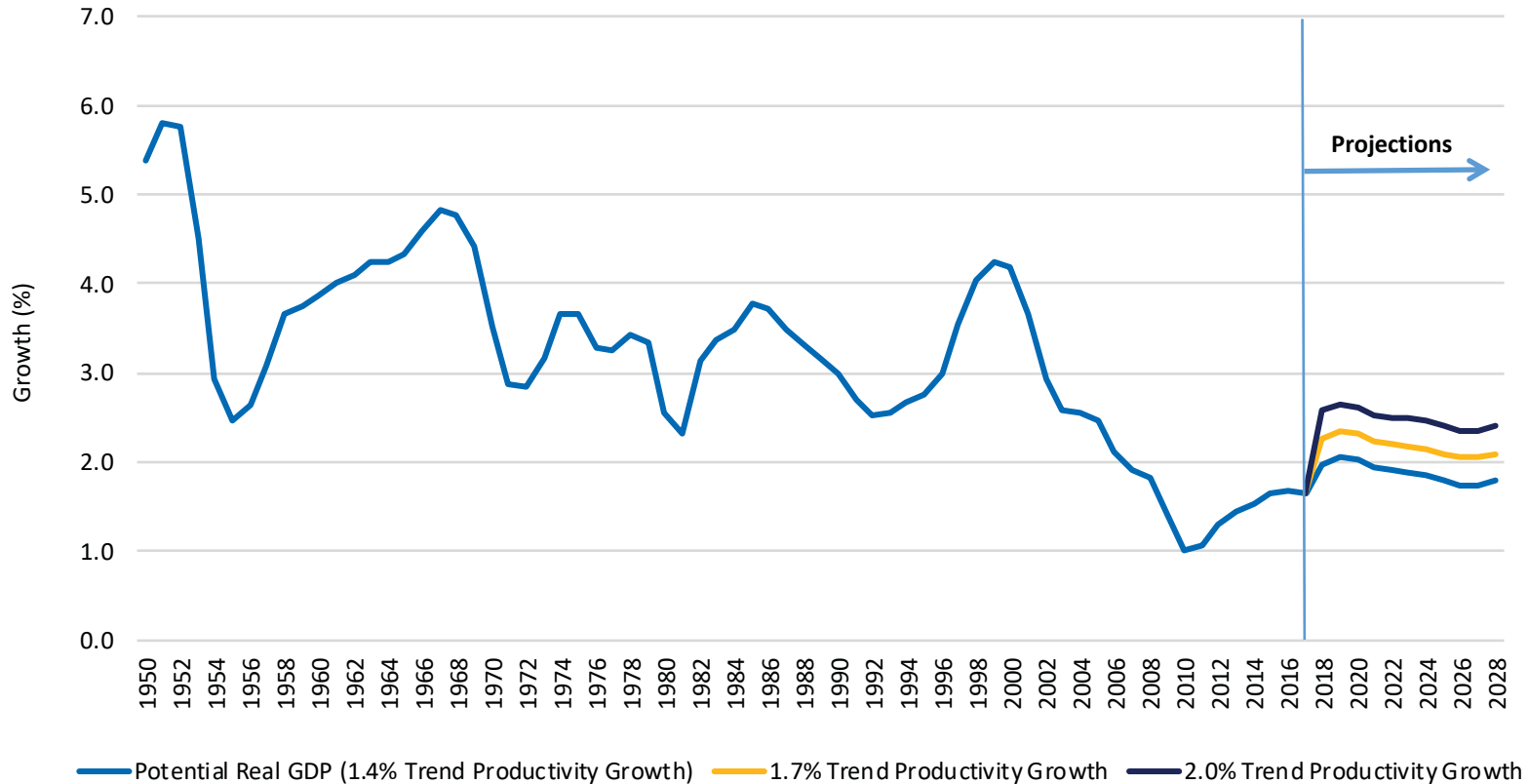


Source: Haver Analytics, CBO. As of Q2 2018.

Lower productivity growth

Even if Trumponomics boosts long-term productivity, the upside is limited

Potential real GDP with varying productivity growth rate projections

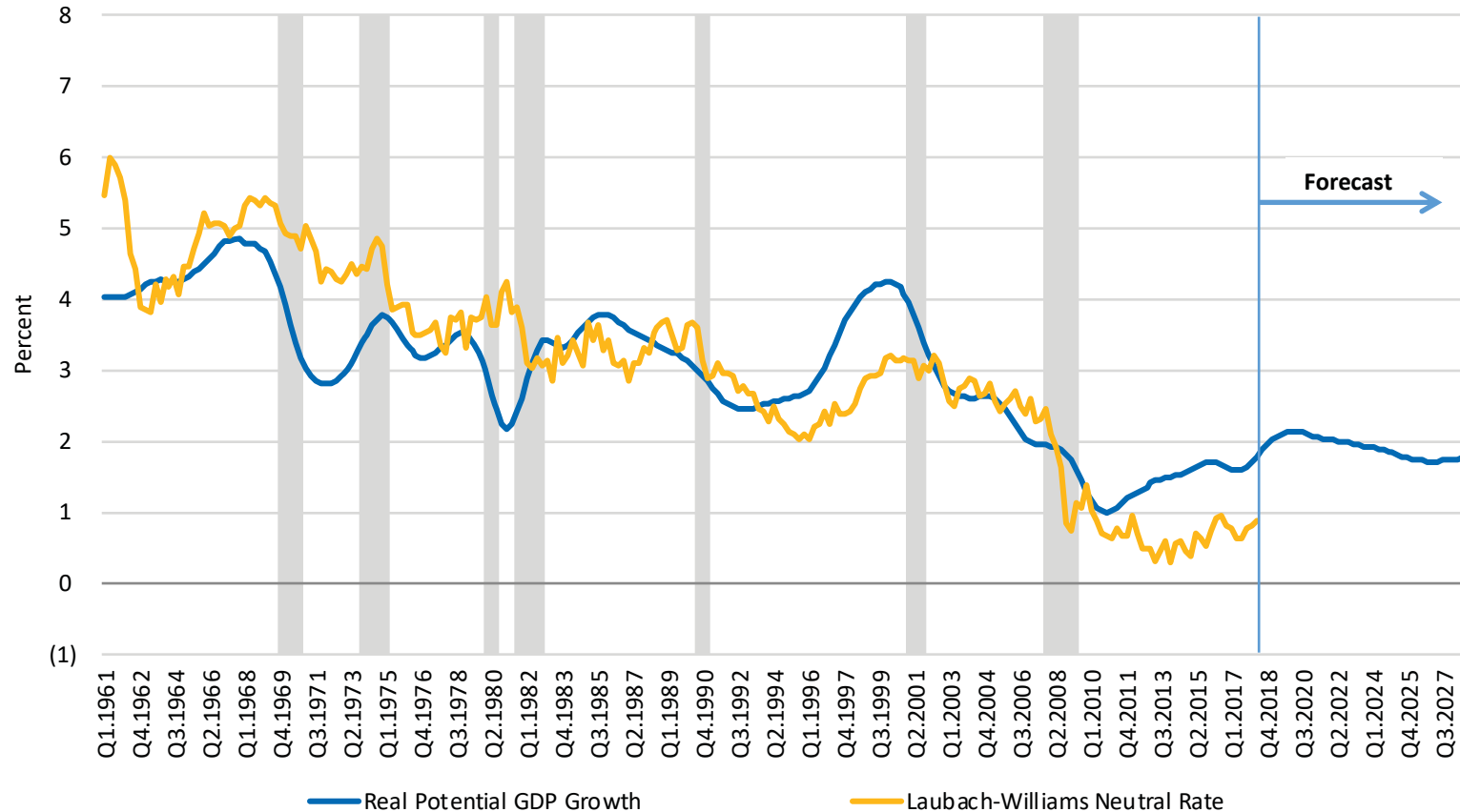


Source: CBO, Haver Analytics, Aegon AM U.S. Investment Strategy. As of August 2018.

Slowing growth impact on neutral rate

The neutral rate has moved lower as growth rate has slowed

Potential real GDP vs. Laubach-Williams Neutral Rate

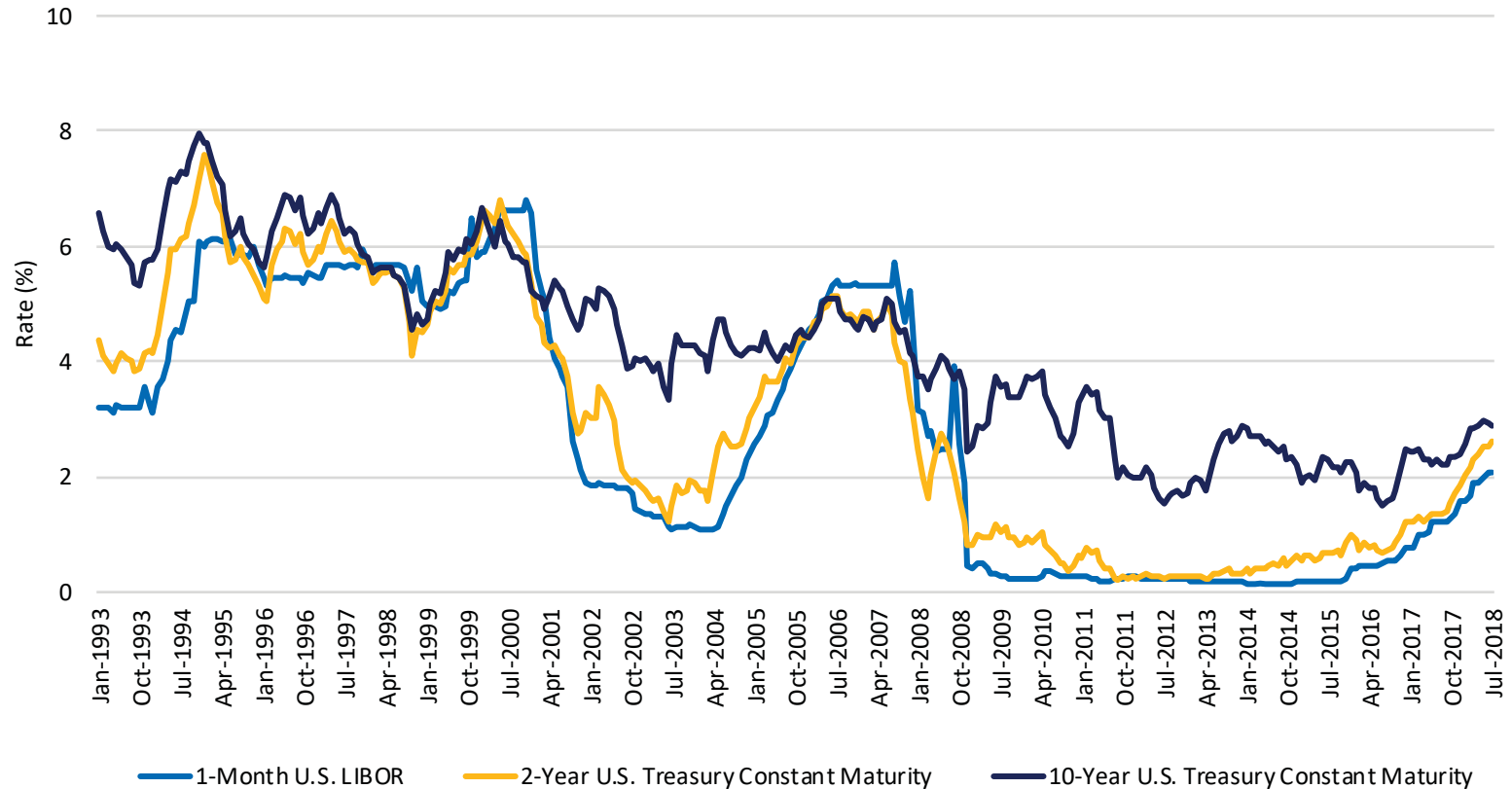


Source: Federal Reserve Board, BEA, CBO, Haver Analytics, Aegon AM US Investment Strategy. As of August 2018.

Fed tightening impact on curve

Yield curve has flattened with recent rate hikes

Historical monthly LIBOR and Treasury rates

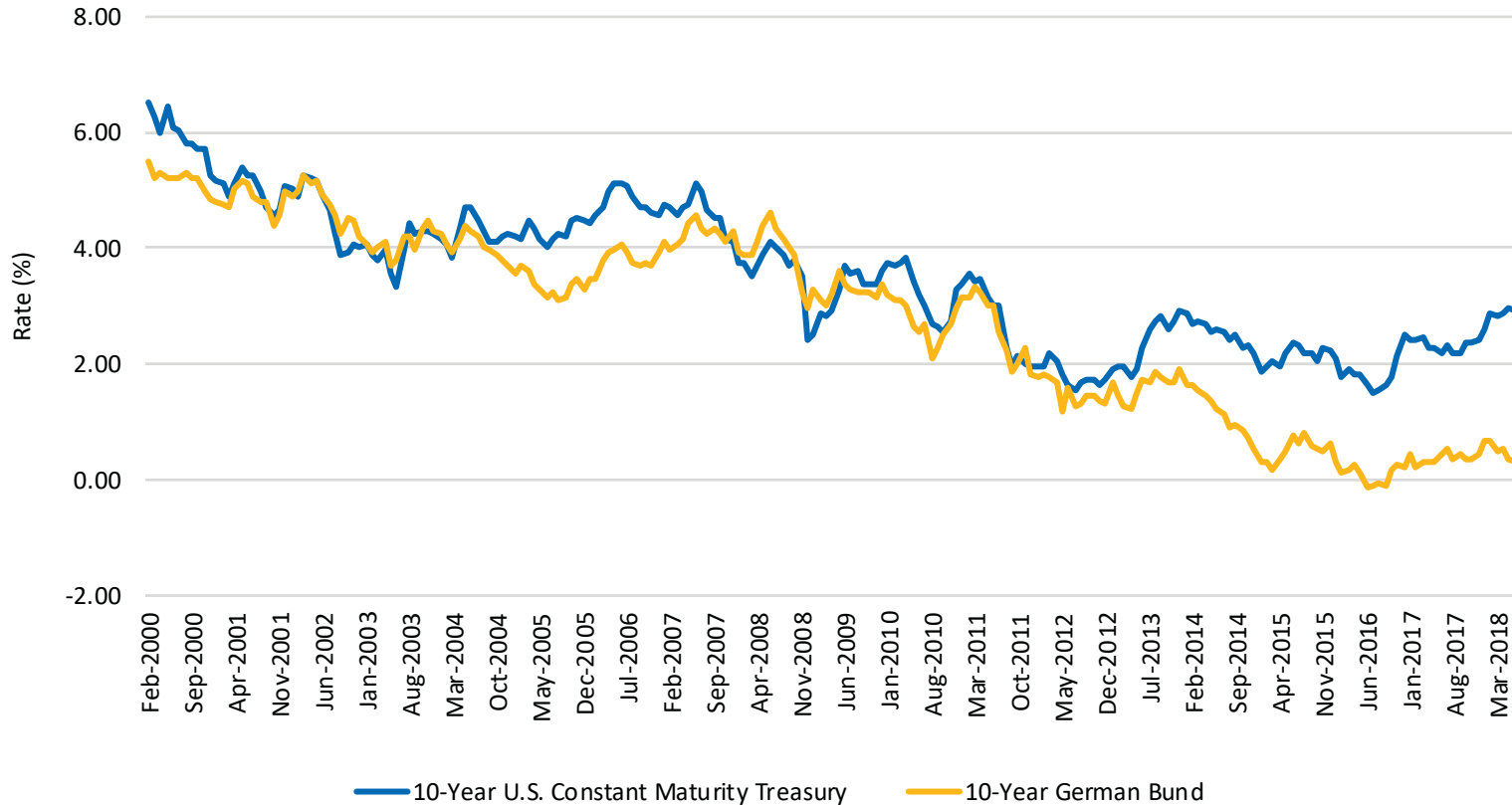


Source: Bloomberg, FRED. As of July 2018.

Global rates

Divergence in global rates as Fed continues tightening

Historical monthly 10-year U.S. Treasury & German Bond rates

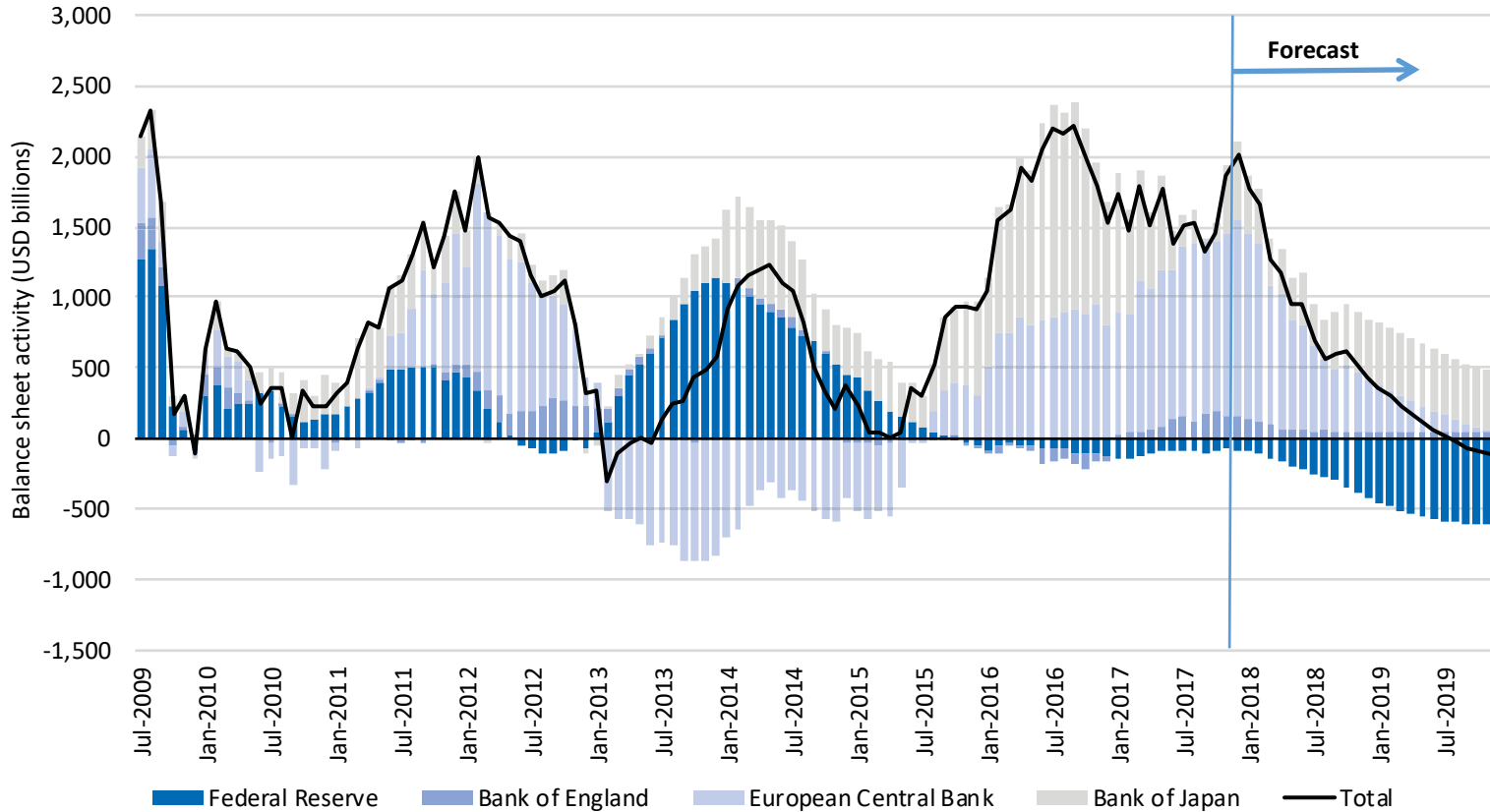


Source: Bloomberg, FRED. As of July 2018.

Central bank balance sheets

Global tightening appears to be on the horizon

Central bank balance sheet activity



Source: Deutsche Bank, Haver Analytics, Federal Reserve, Bank of Japan, Bank of England. As of December 2017.

Core fixed income market yield to duration

Ratio has been trending downward over the past 30 years, with little increase so far from recent Fed tightening

Historical monthly yield-to-duration ratio: Bloomberg Barclays U.S. Aggregate Index

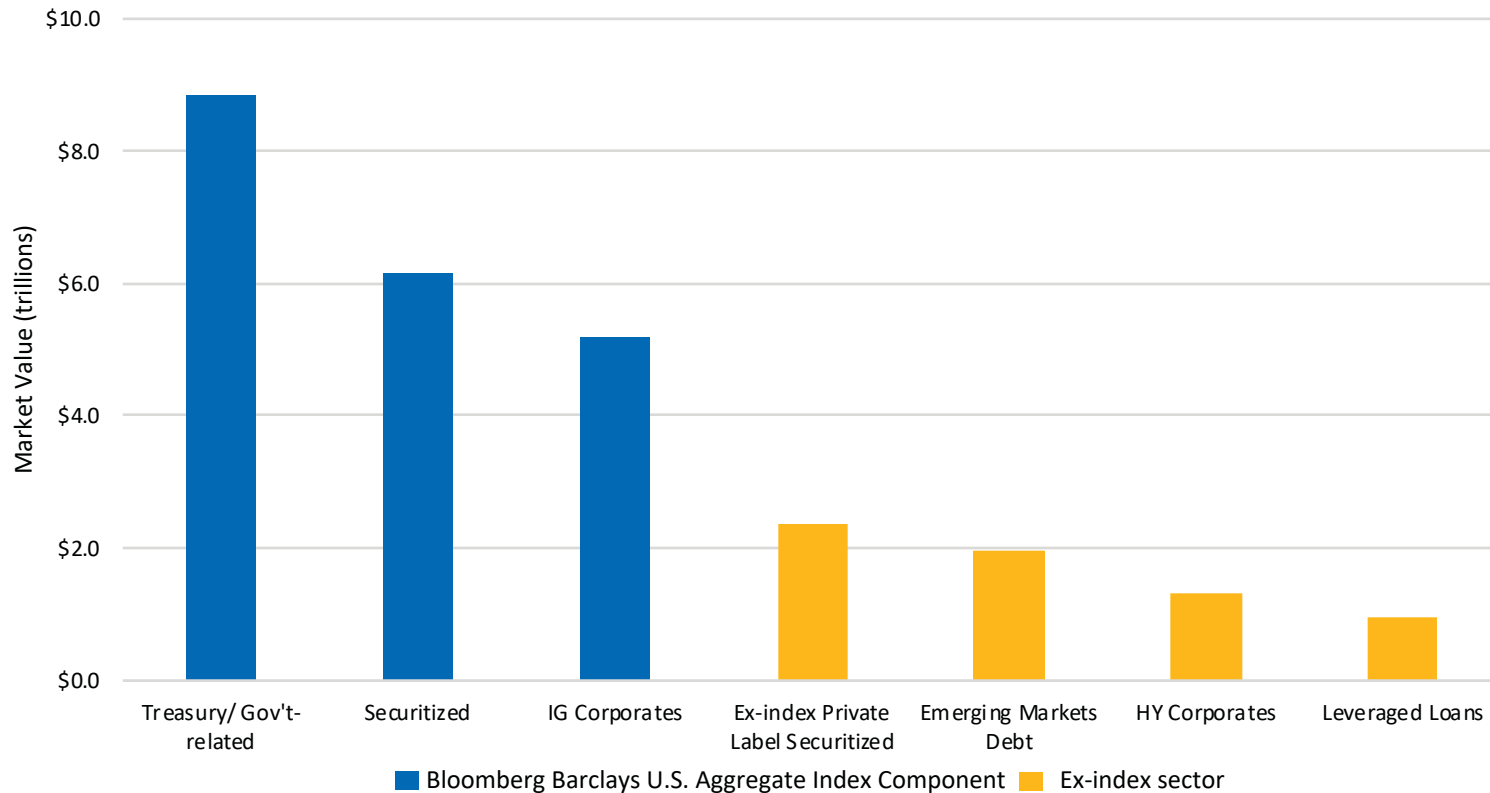


Source: Barclays Live; January 1989 to July 2018.

Intermediate bond investment opportunities

Sectors outside of the core fixed income space may enhance diversification and risk/return profile

Aggregate index components and examples of ex-index sectors that may be used in an intermediate bond mandate
As of December 31, 2017

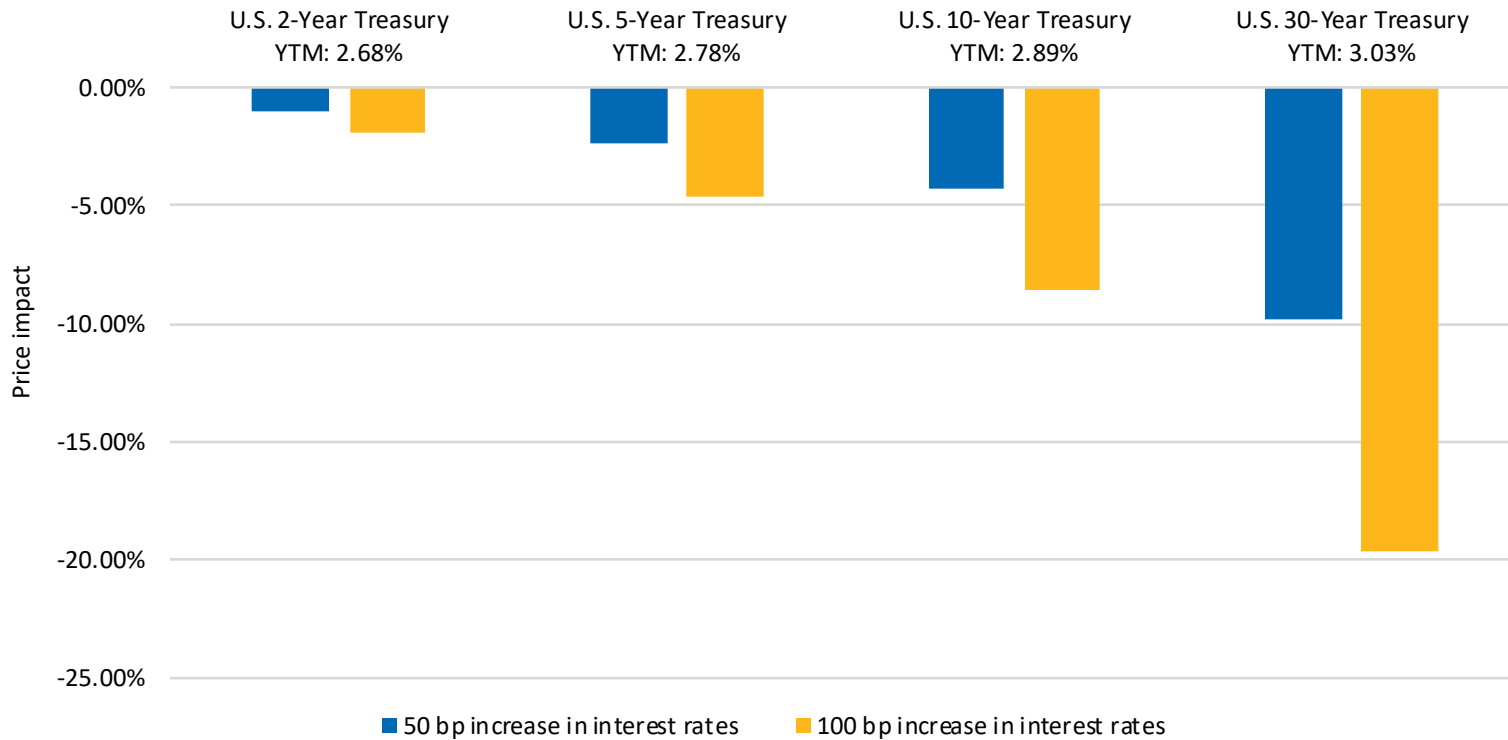


Source: Barclays Live; LCD, an offering of S&P Global Market Intelligence; and SIFMA. Used with permission. Ex-index Private Label Securitized market value calculated by using 2017 SIFMA outstanding issuance data and the market value of the securitized component of the Bloomberg Barclays U.S. Aggregate Index. The following indices were used to estimate ex-index sectors' market values: Bloomberg Barclays EM USD Aggregate Index, Bloomberg Barclays U.S. Corporate High Yield Index, S&P/LSTA Leveraged Loan Index.

Impact of rising rates

Intermediate term bond strategies in the 2- to 5-year duration range are less impacted by rising rates than longer duration strategies

Estimated impact of rate increases on Treasury bond values
August 29, 2018

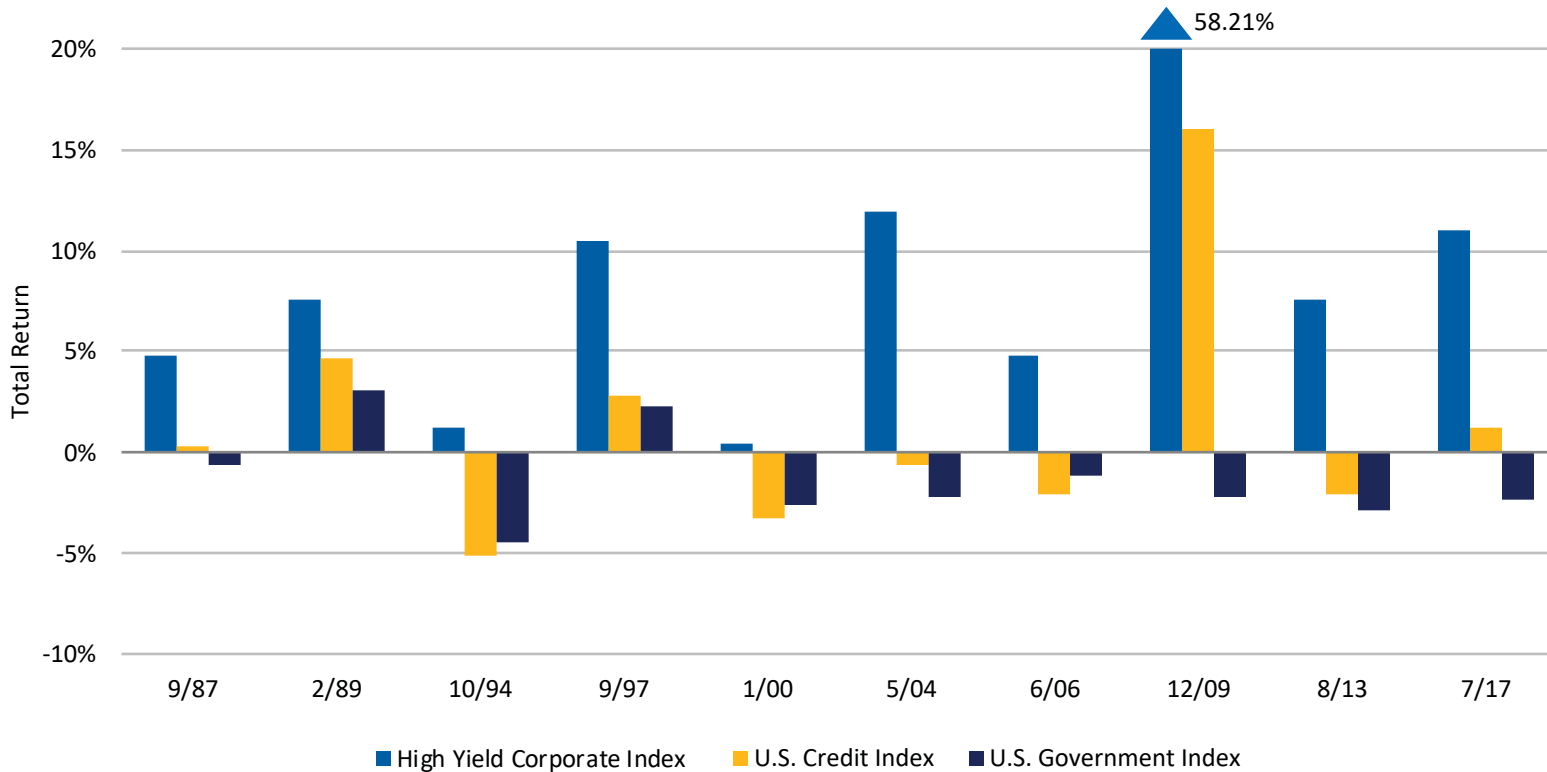


Source: Bloomberg for yields and durations; Aegon AM U.S. for estimated price impact of a parallel move in the yield curve using duration. As of August 29, 2018.

High yield corporates performance

Compared to the core fixed income market components, high yield has performed well in rising rate environments

1-year returns for each rising rate period when the 10-year U.S. Treasury increased at least 75 basis points over a trailing 12-month period: January 1985 to June 2018

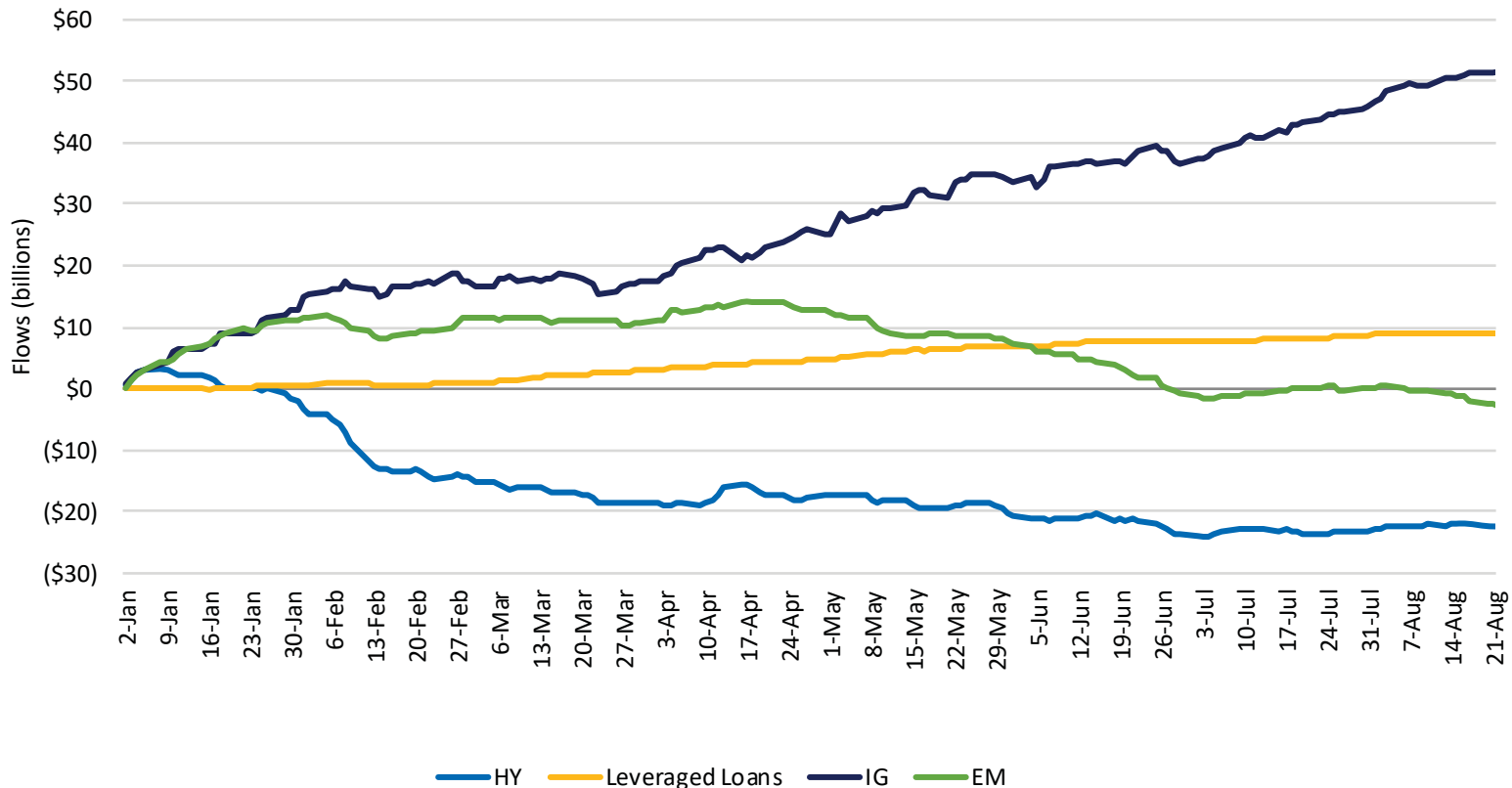


Source: U.S. Treasury rates are from Bloomberg. Index returns are from Bloomberg Barclays Indices. **Past performance is not indicative of future results.** The analysis above reflects the trailing 12-month return for the listed indices in time periods when the constant maturity 10-year U.S. Treasury curve rate rose 75 basis points over a trailing 12-month period. The analysis does not include periods of rising rates (based on the prior 12-month rate change) if that rising rate environment occurs in the next twelve months. Production date: 7/17/2018.

Retail fund flows

High yield funds have experienced outflows this year while investment grade funds have continued to see inflows

2018 YTD retail fund flows

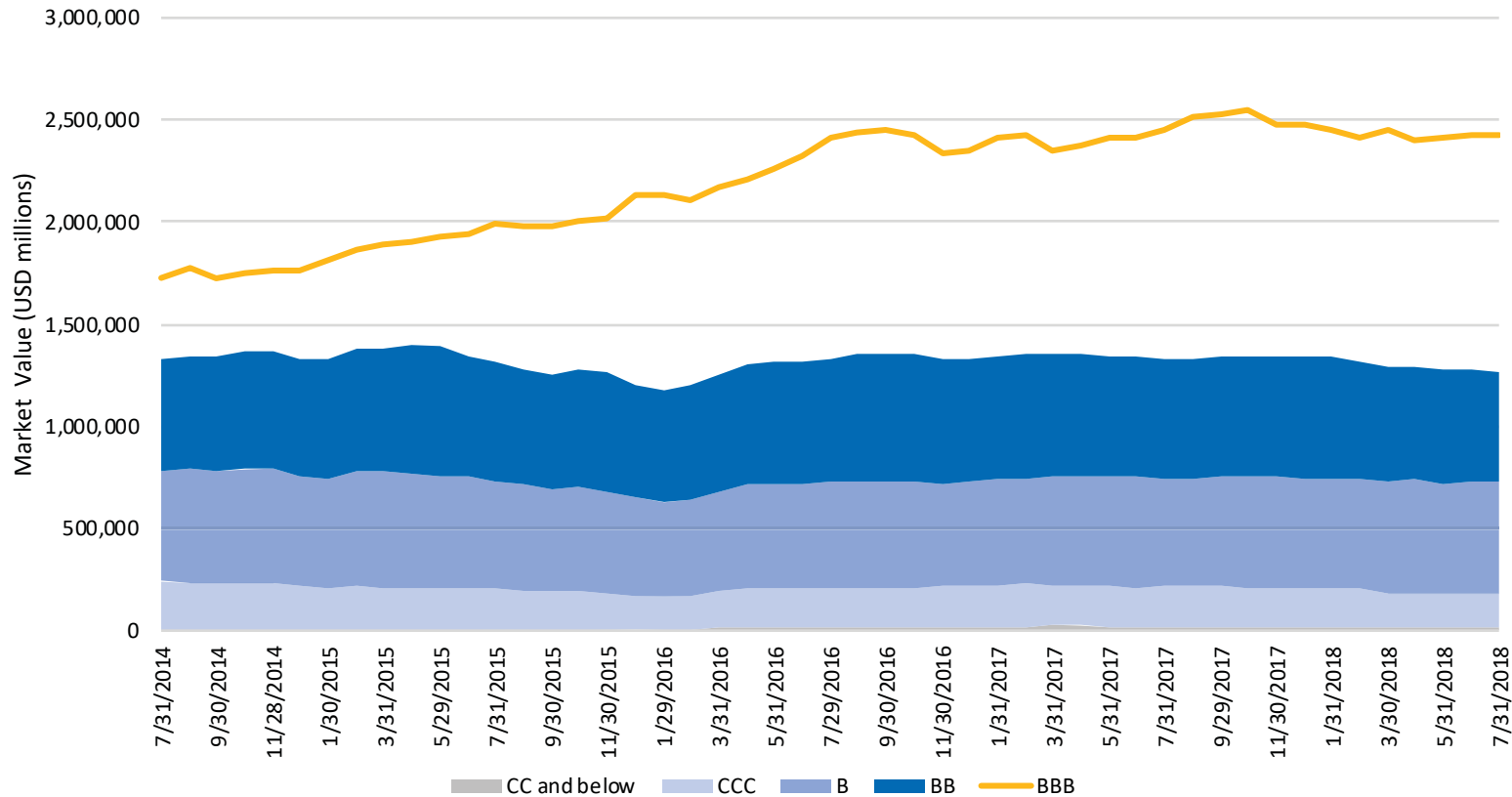


Source: Credit Suisse. As of August 24, 2018. Used with permission.

High yield corporates market size

High yield market size has been stagnant in recent years while the BBB market size has increased significantly

Credit quality components of Bloomberg Barclays Corporate Indices

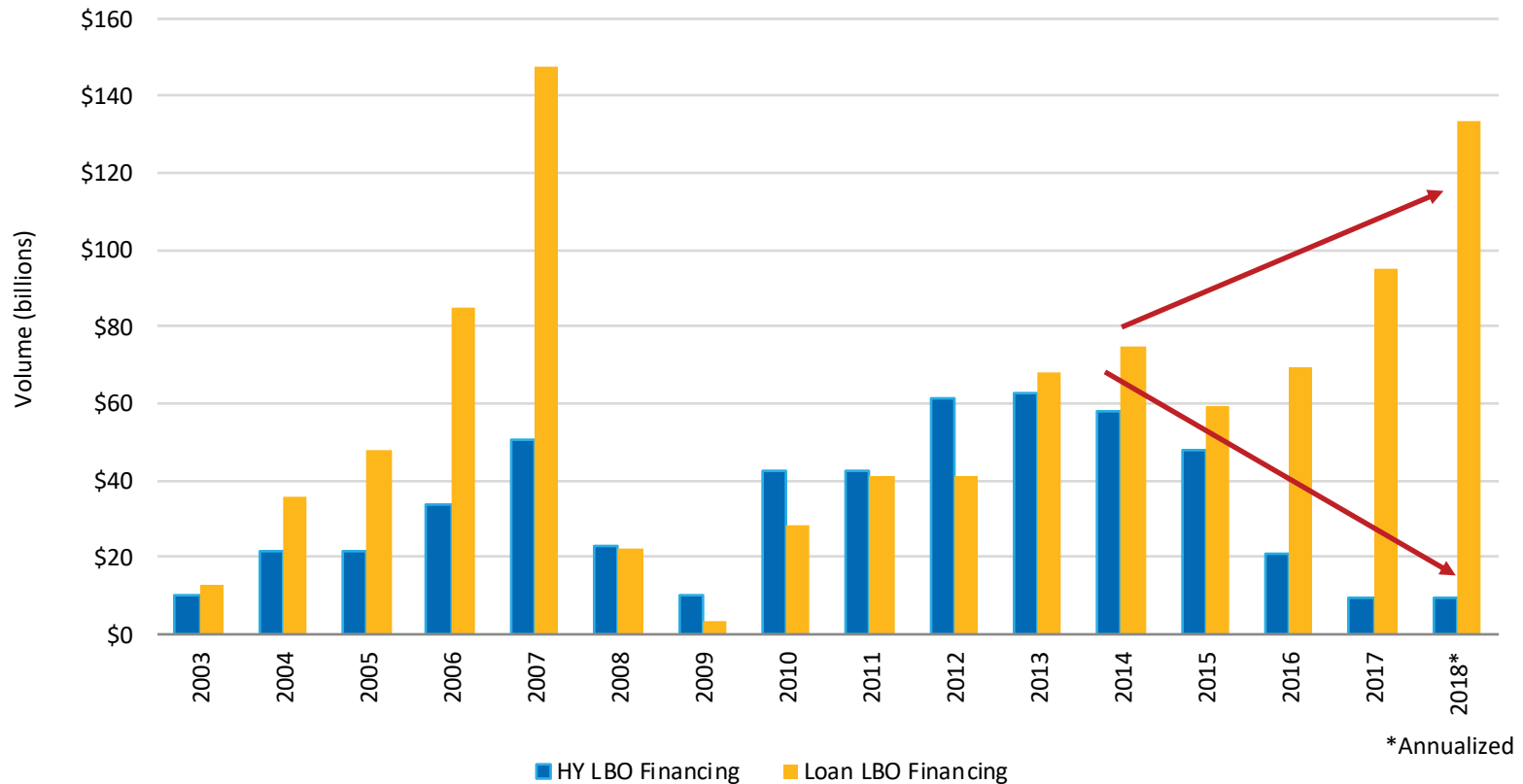


Source: Barclays Live; The BB and below credit quality components are based on constituents of the Bloomberg Barclays U.S. High Yield Index. The BBB credit quality component is based on the Bloomberg Barclays U.S. Corporate Index. Data from July 2014 to July 2018.

LBO financing

Sponsors have been increasingly accessing the loan market to fund LBOs instead of the bond market

LBO financing by source

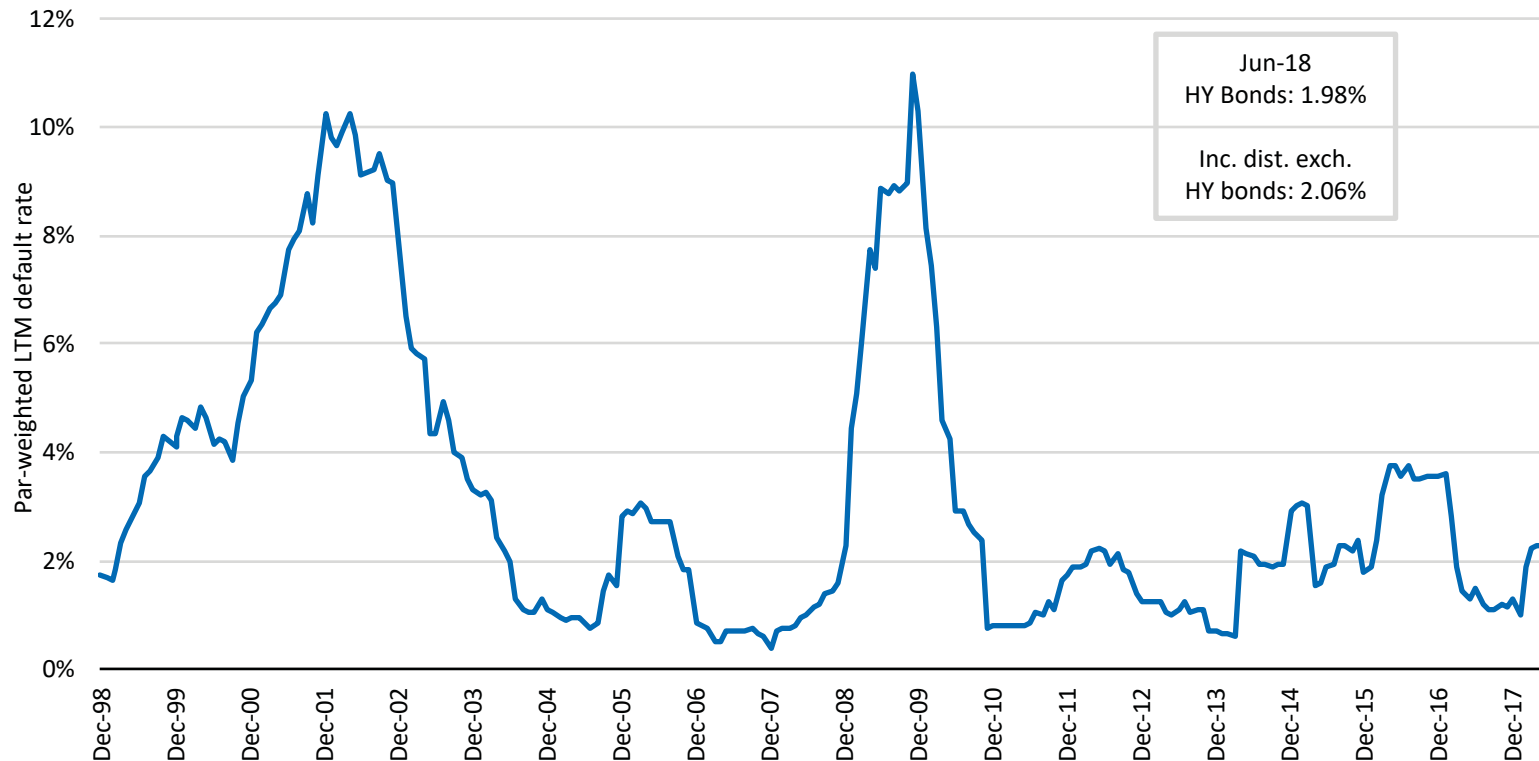


Source: Credit Suisse. As of July 2018. Used with permission.

High yield corporates default rate

Default rates remain relatively low to historical rates

Last twelve months (LTM) high yield corporates par-weighted default rate

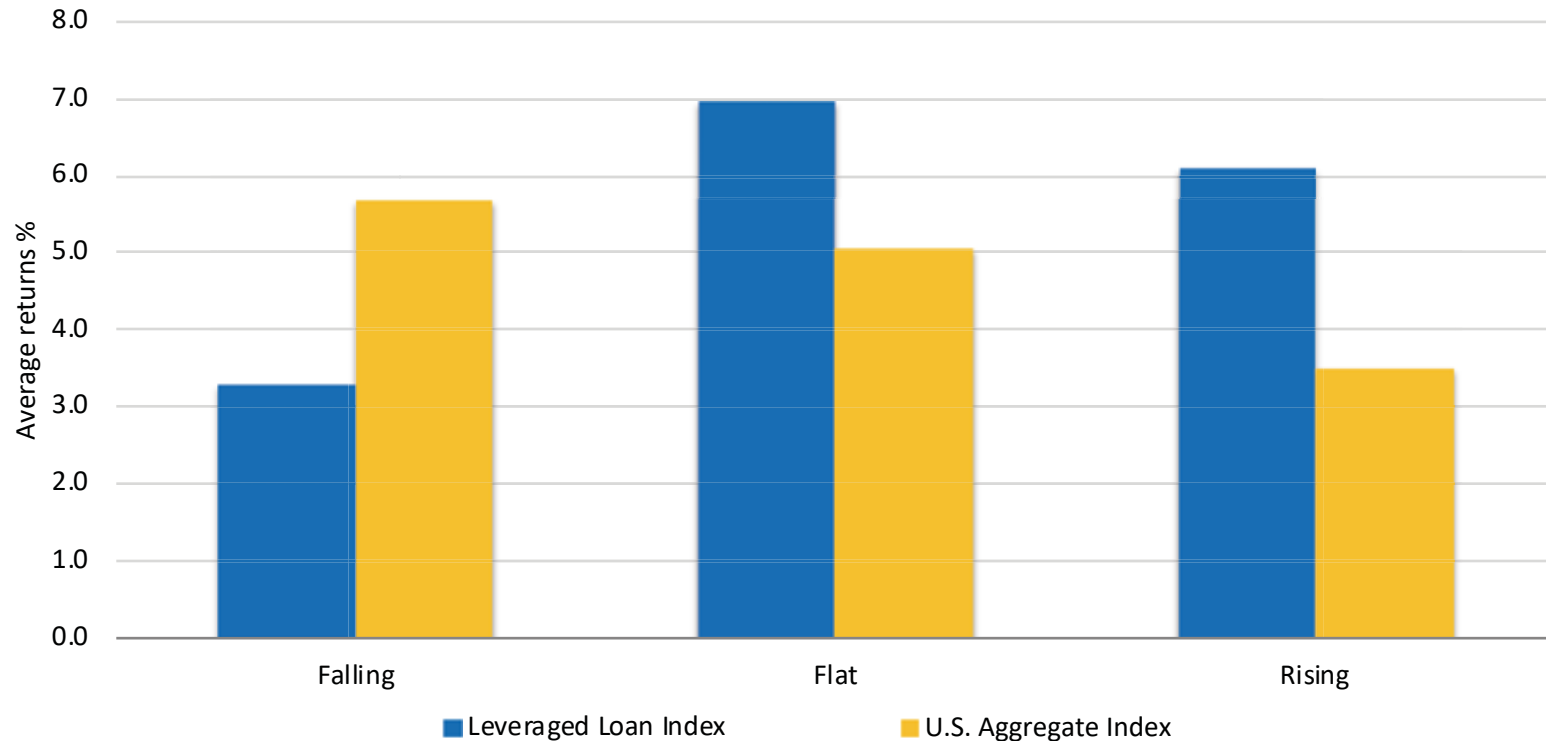


Source: J.P. Morgan. As of June 2018. Used with permission.

Leveraged loan performance

Compared to the core fixed income market, loans have performed well in rising rate environments

Average index returns by interest rate environment: July 1998 to June 2018

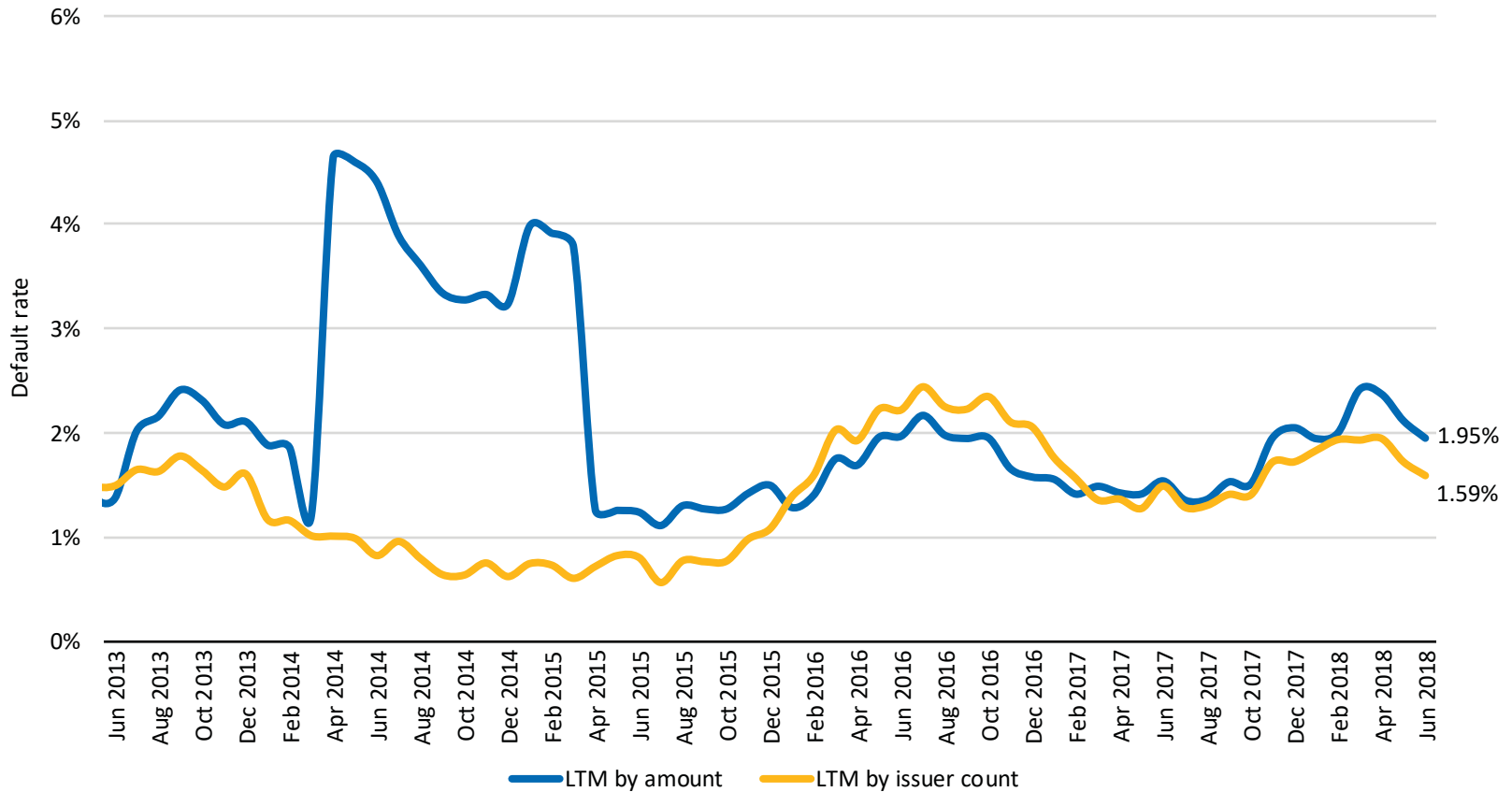


Source: Aegon AM U.S. and Morningstar as of June 30, 2018. **Past performance is no guarantee of future results.** Data provided is for illustrative purposes only. The data provided consists of 12-month rolling return periods from 7/31/1998 to 6/30/2018, totaling 228 periods included in the 12-month rolling calculation. Out of the 228, 99 periods were characterized as falling, 63 periods were characterized as flat, and 66 were characterized as rising. Falling periods are defined as when the Barclays U.S. Treasury bellwether 10-year yield fell more than 0.25% since the last period. Rising periods were when the 10-year yield increased more than 0.25% since the last rolling period. Flat periods are defined as when the 10-year yield did not increase or decrease by 0.25% since the last period. The returns reference the Credit Suisse Leveraged Loan Index and Bloomberg Barclays U.S. Aggregate Bond TR index. Returns are averages of the rolling return periods for each corresponding rate environment.

Leveraged loan default rates

Default rates remain relatively low

Last twelve months (LTM) leveraged loan default rates

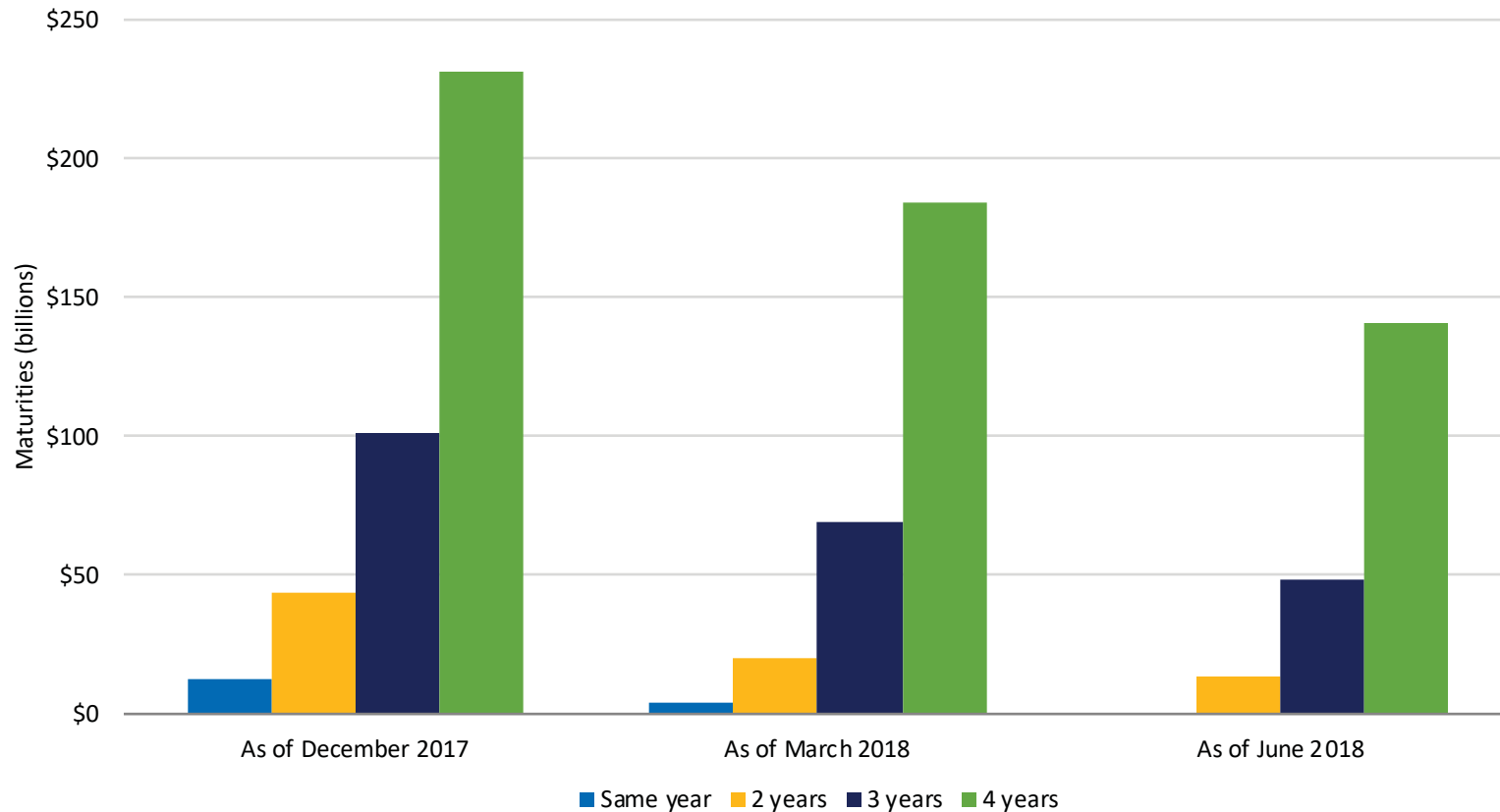


Source: LCD, an offering of S&P Global Market Intelligence. As of June 2018. Used with permission.

Leveraged loan maturity profile

The maturity wall has eased over recent quarters

S&P/LSTA Leveraged Loan Index cumulative maturity wall

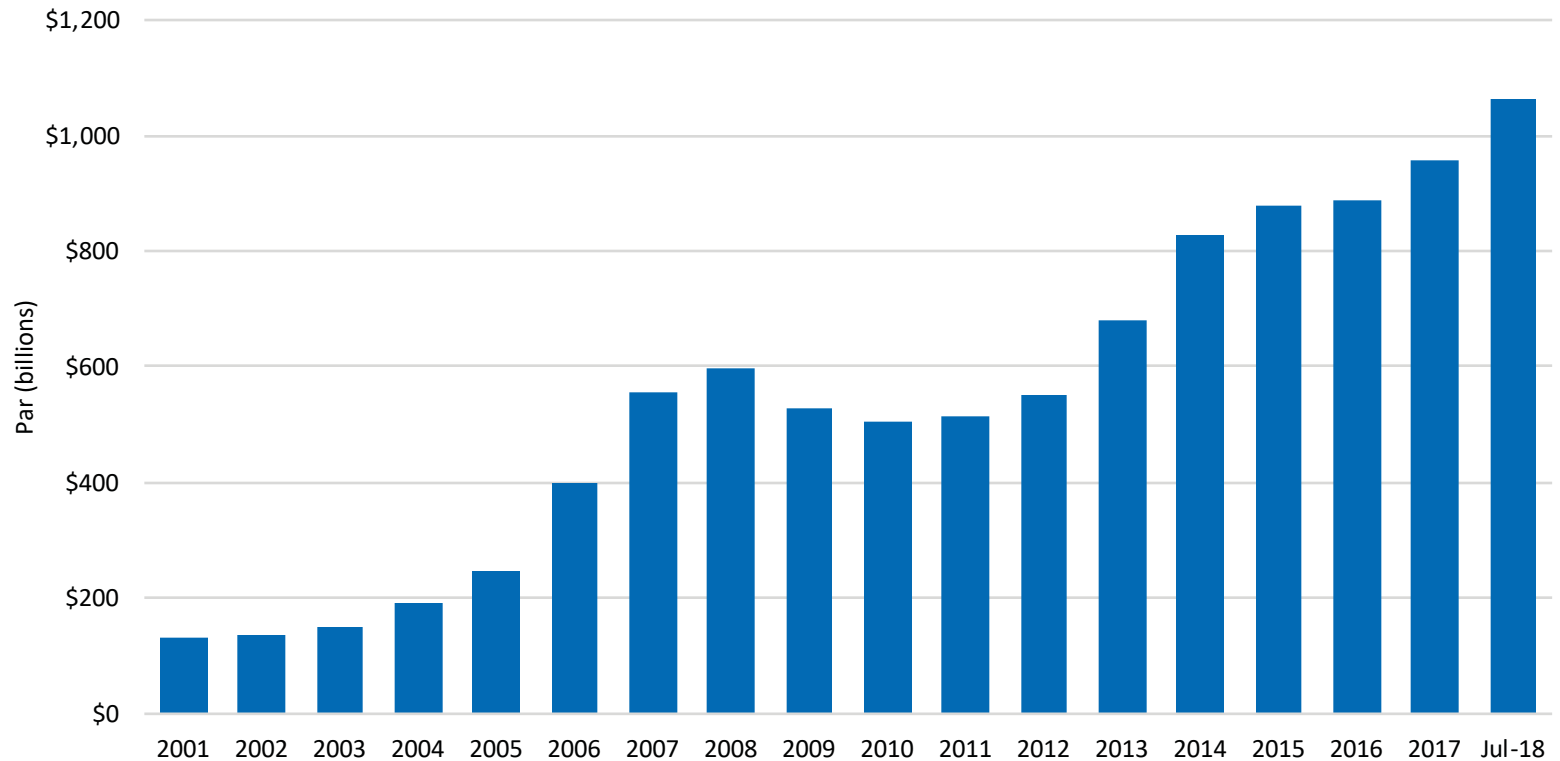


Source: LCD, an offering of S&P Global Market Intelligence. As of June 2018. Used with permission.

Leveraged loan market size

The loan market has seen significant growth over the past 15 years, with continued growth YTD

Historical S&P/LSTA Leveraged Loan Index par amount outstanding

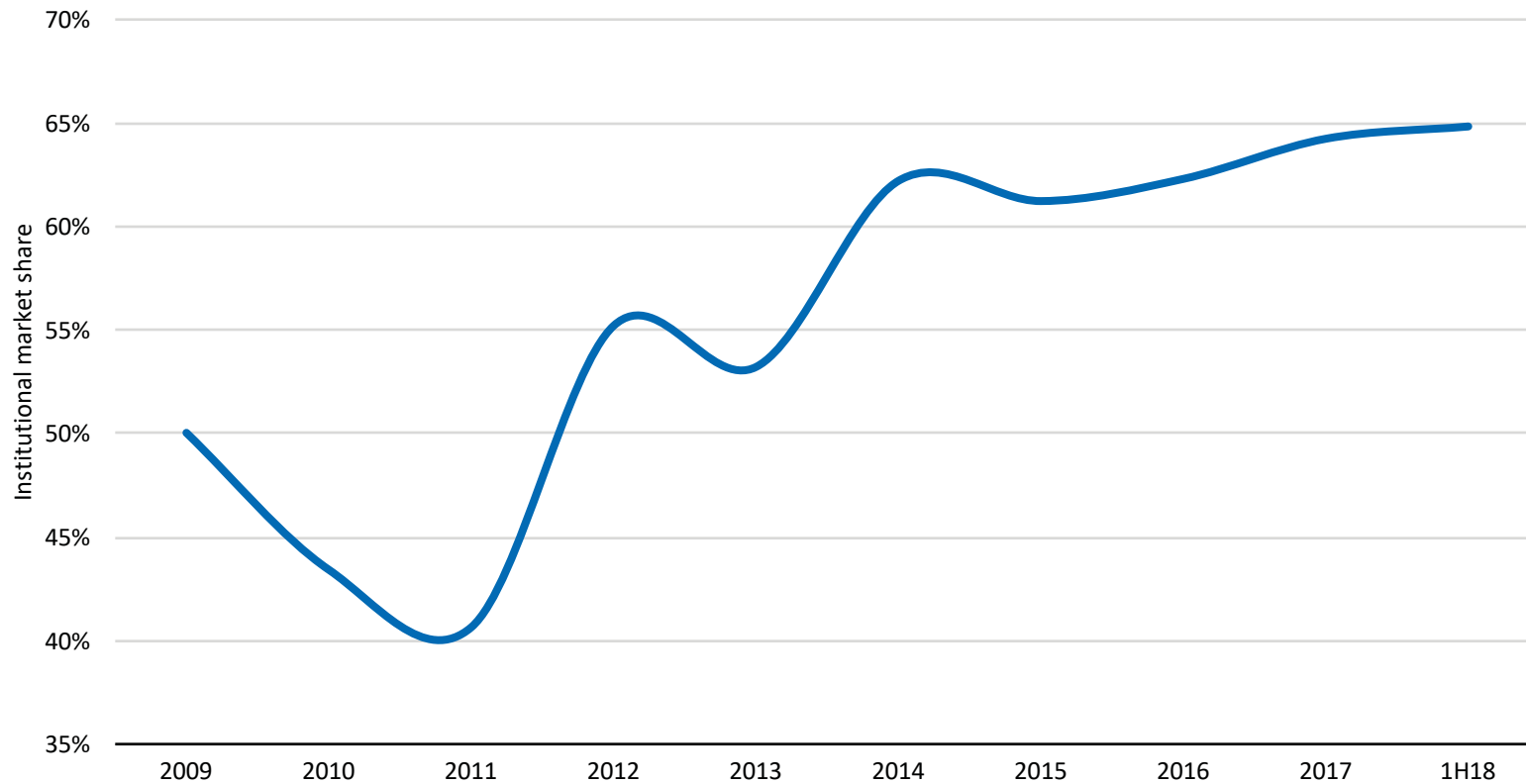


Source: LCD, an offering of S&P Global Market Intelligence. As of July 2018. Used with permission.

Shift in institutional market

CLO market share has rebounded from post-crisis lows and has begun to level off in recent years

CLO share of institutional market



Source: LCD, an offering of S&P Global Market Intelligence. As of June 2018. Used with permission.

Appendix

Biographies



Brian Westhoff, CFA, is the head of multi-sector portfolio management and is a portfolio manager for core plus, core aggregate, short duration, stable income, government/corporate fixed income strategies and emerging market strategies portfolios. Brian is a member of the Senior Management Group. Prior to his current role, Brian worked as an equity research intern with Credit Suisse Asset Management in London, a fixed income investment analyst at St. Paul Companies, and an Argentine oil-and-gas equity research intern with Merrill Lynch in Argentina. He has 21 years of industry experience and has been with the firm and its affiliates since 2003. Brian received his BS in business administration from Drake University and his MBA from the Thunderbird School of Global Management. He is a CFA® charterholder.



Ben Miller, CFA, is co-head of high yield and a portfolio manager. Ben's responsibilities include U.S. and global high yield trading and portfolio management. Prior to his current role, he held various investment responsibilities ranging from private placement analyst to public fixed income research analyst. Ben has 25 years of industry experience and has been with the firm and its affiliates since 1993. He received his BA from the University of Northern Iowa and his MBA from the University of Iowa. Ben is a CFA® charterholder.



Jason Felderman, CFA, is a senior bank loan portfolio manager responsible for researching, analyzing, and trading leveraged bank loans. Prior to his current role, Jason was employed at American Century Investments and Deloitte & Touche. He has 18 years of industry experience and has been with the firm and its affiliates since 2003. Jason received his BBA in accounting from the University of Northern Iowa and his MBA from the University of Kansas. He is a CFA® charterholder.

Years of experience reflects the number of years attained in the current year.

Disclosures

Past performance is not indicative of future results.

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be suitable for all investors.

This material was prepared at the request of the Transamerica marketing team. This communication is being provided for informational purposes in connection with the marketing and advertising of products and services. This material contains current opinions of the manager and such opinions are subject to change without notice. Aegon AM U.S. is under no obligation, expressed or implied, to update the material contained herein. This material contains general information only on investment matters; it should not be considered a comprehensive statement on any matter and should not be relied upon as such. If there is any conflict between the enclosed information and Aegon AM U.S. ADV, the Form ADV controls. The information contained does not take into account any investor's investment objectives, particular needs, or financial situation. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to you. The value of any investment may fluctuate. Investors should consult their investment professional prior to making an investment decision. Aegon AM is not undertaking to provide impartial investment advice or give advice in a fiduciary capacity for purposes of any applicable federal or state law or regulation. By receiving this communication, you agree with the intended purpose described above.

Diversification does not ensure a profit nor guarantee against loss.

Results for certain charts and graphs are included for illustrative purposes only and should not be relied upon to assist or inform the making of any investment decisions.

There is no guarantee these investments or portfolio strategies will work under all market conditions or are suitable for all investors, and each investor should evaluate their ability to invest over the long-term, especially during periods of increased market volatility. Interest rates may go up, causing the value of the fund's investments to decline. Changes, in interest rates, the market's perception of the issuers and the creditworthiness of the issuers may significantly affect the value of a bond. Investing in high-yield bond funds (junk bonds) may be subject to greater volatility and risks as the income derived from these securities is not guaranteed and may be unpredictable and the value of these securities tends to decline when interest rates increases.

This document contains "forward-looking statements" which are based on the firm's beliefs, as well as on a number of assumptions concerning future events, based on information currently available. These statements involve certain risks, uncertainties, and assumptions which are difficult to predict. Consequently, such statements cannot be guarantees of future performance, and actual outcomes and returns may differ materially from statements set forth herein.

Aegon Asset Management U.S. is a U.S.-based SEC registered investment adviser and is also registered as a Commodity Trading Advisor (CTA) with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA). Aegon Asset Management U.S. is part of Aegon Asset Management, the global investment management brand of the Aegon Group.

Recipient shall not distribute, publish, sell, license, or otherwise create derivative works using any of the content of this report without the prior written consent of Aegon AM U.S., 4333 Edgewood Rd NE, Cedar Rapids, IA 52499. Copyright © 2018 Aegon Asset Management U.S.

Ad Trax: 2227658.1
Exp Date: 9/30/2018

THANK YOU

CE CREDITS

This webcast qualified for the following continuing education credits:

CFP Board – 1 hour

Investments & Wealth Institute™ (previously known as IMCA) – 1 hour

If you would like to receive credit for participating in this webcast, please follow the directions below.

**NOTE: YOU WILL HAVE 10 DAYS TO REPORT COMPLETION OF THIS WEBCAST VIA OUR WEBSITE. FINANCIAL ADVISOR MAGAZINE WILL THEN REPORT TO THE CFP BOARD AND CIMA ON YOUR BEHALF. AFTER 10 DAYS THE WEBCAST WILL NO LONGER BE AVAILABLE FOR REPORTING.*

1. Visit our website at http://www.fa-mag.com/ce_center.php
2. Select the designation you would like to report the webcast to.
3. If you have already registered to complete and report CE credits with us, please login using your username and password.
If you are new to our CE Center, please complete a registration form in its entirety.
(Note: You will need to supply your ID# generated from Investments & Wealth Institute™.)
4. Once you are logged in to your CE Center account, SCROLL TO THE BOTTOM OF THE PAGE to find the list of CE exams and webcasts we offer. (Please read the important information on that page regarding the CE reporting process.)
5. Click on the webcast you are interested in and complete the short questionnaire and print the "Certificate Of Completion" page for your records.
6. The webcast credit will be reported by *Financial Advisor* magazine the first week of the new month for the previous month. Allow 10 business days for the credit to be posted on your account.

If you have any questions regarding CE credit reporting, please email Sherri Scordo at sherri@fa-mag.com

Presented by



To view the slides and a recording of this webcast please visit:

www.fa-mag.com/TransamericaWebcastSept20

For upcoming webcasts, please visit: <http://www.fa-mag.com/webcasts.html>

Please send your questions, comments and feedback to: dawn@fa-mag.com