For UK institutional investors and consultants only

# Aegon Active Beta Property Fund

Quarterly factsheet as at 31 December 2023

## Fund managers

**Tony Yu**
Fund Manager, Aegon Active Beta Property Fund

**Mark Bunney**
Head of Indirect Property, Aegon Asset Management

## Key facts

| | |
|---|---|
| Fund launch | 30 June 2017 |
| Fund provider | Mobius Life Limited |
| Fund structure | Life-wrapped investment fund |
| Fund advisor | Aegon Asset Management UK |
| Benchmark | MSCI/AREF UK All Balanced Open-Ended Property Fund Index |
| Minimum investment | £250,000 |
| Management charge | 0.24% p.a. |
| Fund size (NAV) | £103.4m |
| Property fund holdings | 13 |
| Underlying exposure to number of properties | 792 |
| Underlying net asset value exposure | £16.1 billion |
| Underlying weighted average leverage | 1.8% |
| Offer price per unit | £127.97 |
| NAV price per unit | £122.14 |
| Bid price per unit | £120.64 |
| Units in issue | 846,837.89 |

## Fund objective

The investment objective of the Fund is to provide a property market return by matching the return (net-of-fees) of the MSCI/AREF UK All Balanced Open-Ended Property Fund Index.

The Fund will seek to achieve its investment objective by investing in a portfolio of balanced open-ended property funds that are constituents of the MSCI/AREF UK All Balanced Open-Ended Property Fund Index.

## Performance

The Fund recorded a return of -1.5% net-of-fees in Q4 2023, against the benchmark return of -1.2%. Since inception, the Fund has returned 2.9% p.a. net-of-fees against a benchmark return of 2.9% p.a. with a low annualised tracking error of 0.6% p.a.

### Performance (to 31 December 2023)

| | 3 months | Year-to-date | 1 year | 3 years (% p.a.) | 5 years (% p.a.) | Since inception (% p.a.) |
|---|---|---|---|---|---|---|
| Fund | -1.5% | -1.6% | -1.6% | 2.1% | 1.4% | 2.9% |
| Index | -1.2% | -1.4% | -1.4% | 2.1% | 1.3% | 2.9% |

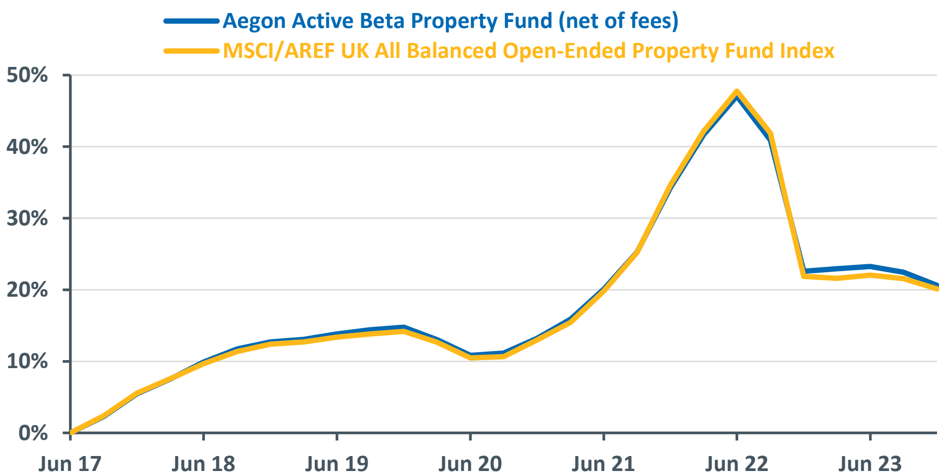
### Year on Year Performance

| | 1 year to 31/12/23 | 1 year to 31/12/22 | 1 year to 31/12/21 | 1 year to 31/12/20 | 1 year to 31/12/19 | 1 year to 31/12/18 |
|---|---|---|---|---|---|---|
| Fund | -1.6% | -8.7% | 18.6% | -1.4% | 1.8% | 6.9% |
| Index | -1.4% | -9.5% | 19.1% | -1.0% | 1.6% | 6.5% |

### Risk statistics (since inception, based on quarterly data)

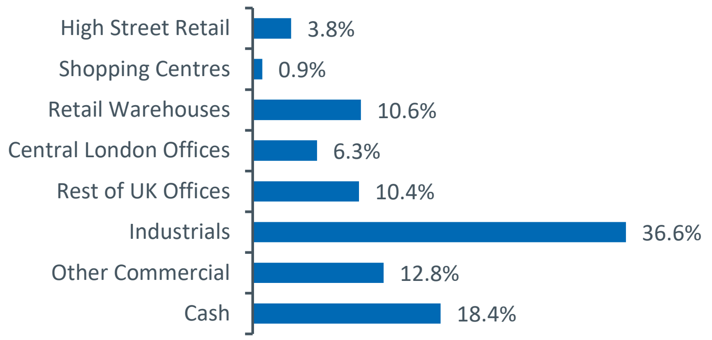
| | Tracking Error (p.a.) | Volatility (p.a.) | Beta | R-squared |
|---|---|---|---|---|
| Fund | 0.6% | 7.4% | 0.95 | 1.00 |

### Cumulative performance (since inception)




Source: Aegon Asset Management and MSCI. From 30/06/2017 to 31/12/2023. NAV to NAV. Fund returns are net of fees. GBP total returns. Past performance should not be seen as a guide to future performance as it may not be repeated. Past performance is net of fees.

## Underlying sector allocation




Source: Aegon AM as at 31 December 2023

## Top 10 holdings

| | | |
|---|---|---|
| 1. | Blackrock UK Property Fund | **15.3%** |
| 2. | UBS Triton Property Fund | **11.1%** |
| 3. | Patrizia Hanover PUT | **9.1%** |
| 4. | Threadneedle Property Unit Trust | **8.3%** |
| 5. | CBRE UK Property PAIF | **8.2%** |
| 6. | Schroders Capital UK RE Fund | **7.4%** |
| 7. | LGIM Managed Property Fund | **6.2%** |
| 8. | SLI PP Property Fund | **5.3%** |
| 9. | Federated Hermes PUT | **5.1%** |
| 10. | Lothbury Property Trust | **4.3%** |
| **Total** | | **80.3%** |

## Portfolio activity

Sales totalling £9.7m were made from three property funds in Q4 2023. A total of £7.2m came from Federated Hermes Property Unit Trust and sales of £0.5m and £2.1m were made from Blackrock UK Property Fund and Schroders Capital UK Real Estate Fund respectively during the quarter. As part of our strategy to rebalance the portfolio, £2.0m was invested into LGIM Managed Property Fund in November. Despite the deferral of redemption payments by several underlying funds, all redemptions from the Aegon Active Beta Property Fund continue to be fully paid on time due to the diversified nature of the portfolio, judicious use of the secondary market and early actions to redeem from certain funds.

## Market commentary

Balanced UK property funds ended 2023 with a quarterly total return of -1.2% in Q4 2023 and -1.4% over the full year according to the MSCI/AREF UK All Balanced Open-Ended Property Fund Index. Investment sentiment in the direct property market remained subdued with investors continuing to digest a combination of higher bond yields and borrowing rates which has led to lower investment activity and transaction volumes compared to long run averages. However, there continues to be a dislocation between capital and rental markets with occupational markets remaining resilient and witnessing robust rental value growth at the headline All Property level.

The industrial and logistics sector was the top performing sector over both the quarter and full year. The ongoing shift to online retailing, coupled with the reorganisation of supply chains, remains a strong driver of tenant demand for logistics assets, whilst tight supply and low vacancy rates support further prospects of positive rental growth.

Elsewhere, retail capital values dipped again last quarter across high street shops, shopping centres and in particular the retail warehouse sub-sector where transactional evidence indicated weaker pricing. Poor retail sales figures at the end of 2023 point towards weak consumer demand because of pressures on household finances. This will likely limit demand for store expansions from retailers.

The office sector was the weakest performing sector over both the quarter and full year, with further weakness expected to come from poorer secondary quality assets. Structural changes within the office sector have led to caution and low transactional activity with investors wary over both the impact of remote working on tenant demand and capital expenditure requirements to meet sustainable office expectations of regulators and occupiers.

Finally, the 'other commercial sector' which comprises alternative property sub-markets such as private residential, student accommodation, healthcare etc. outperformed during the quarter and over the full year. Capital values in alternative sub-markets have generally been more resilient than mainstream sectors with tenant demand underpinned by favourable demographic and structural fundamentals, especially in the under-supplied 'living' sectors.

Fragile investor confidence means that the immediate outlook for UK commercial property market returns remains muted, but there are reasons to be more optimistic over the medium-to-longer term. Occupational markets have remained broadly robust with tight supply and healthy tenant demand, especially in the 'beds and sheds' sectors, continuing to support positive rates of rental growth. In addition, higher construction and borrowing costs have lowered development activity which will limit the supply of new space and support rental values in sectors with resilient tenant demand. Lastly, with inflation nearer to target, attention has focused on when interest rates will be cut which has led to falls in both gilt yields and swap rates, thereby improving property's attractiveness as an asset class once again. The latest IPF Consensus Forecasts – an industry average of commercial property market return forecasts by agents, fund managers and researchers – project an appealing total return of 7.2% p.a. over the 4 years to end-2027.

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Past performance is not a guide to future performance. Outcomes, including the payment of income, are not guaranteed.

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An investment in unlisted property funds may be illiquid and may not be realisable. Redemptions or liquidations may be wholly or partially deferred for unspecified periods of time. The value of property funds, and any income from them may go up or down.

Where a fund is invested with another life company by means of a reinsurance arrangement, Mobius Life monitors the way the reinsurer manages its business, but does not guarantee the solvency of the reinsurer, so the risk of default by the reinsurer is borne by policyholders who invest in the relevant fund(s).

The Fund is a managed pension fund and investment is facilitated by applying for a Mobius Life Trustee Investment Plan. The asset allocation and choice of asset managers are at the discretion of Mobius Life Limited and may be changed without notification to the investor. Mobius Life Limited is unable to provide advice and can only provide information on its own products and services.

All data is sourced to Aegon Asset Management unless otherwise stated. The document is accurate at the time of writing but is subject to change without notice.



No content in this document is intended as tax advice. Fund Charges are taken from income but will be taken from capital where income is insufficient to cover charges.

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