For intermediaries

Core Risk Profile Portfolios – quarterly investment report

Quarter four 2018

Contents

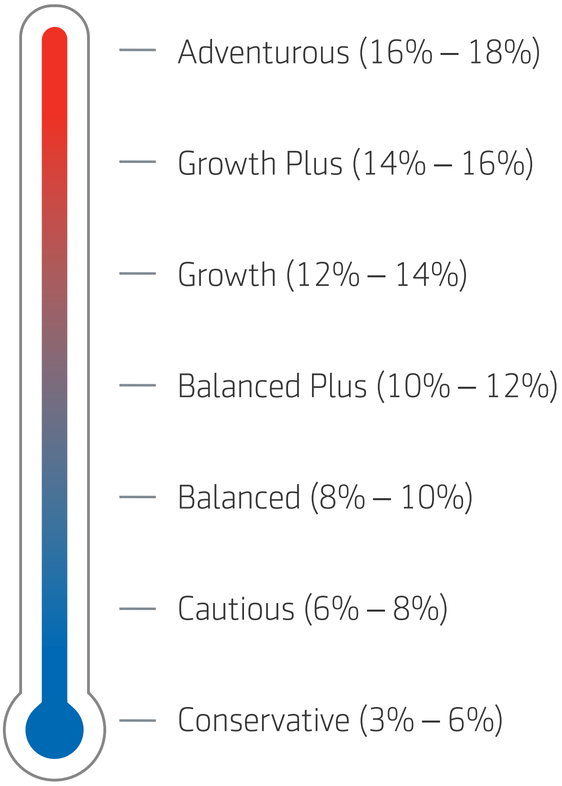
Please note: all performance data shown in this report is sourced from Financial Express.

The information contained in this report constitutes a factual review of performance only and is correct as at 31 December 2018. It shouldn't be taken as a recommendation or advice. This communication is for financial advisers only. It mustn't be distributed to, or relied on by, customers.

There's no guarantee that fund objectives will be met. The value of an investment may go down as well as up and investors may get back less than originally invested.

About the Core Risk Profile Portfolios

There are seven funds in the Core Risk Profile Portfolio range. Each targets a different level of risk ranging from 'low' to 'above average'. The volatility ranges that each portfolio targets are shown in brackets in the diagram below.



Our Core Risk Profile Portfolios are designed to offer a simple, low cost solution to the complicated business of choosing and managing a mix of investments to suit your clients' goals. Each portfolio invests in a well-diversified blend of investment types, industries and managers.

We've employed independent consultant Morningstar Investment Management Europe Limited (Morningstar) to help us build and manage these portfolios. Morningstar takes strategic and tactical asset allocation decisions to help the portfolios meet their two primary objectives, which are:

- to keep within targeted risk ranges over a market cycle, and
- to deliver the best possible performance for the amount of risk taken.

To meet these objectives, Morningstar regularly reviews the portfolios and recommends changes where this is necessary. However, there's no guarantee that the funds will meet their objectives.

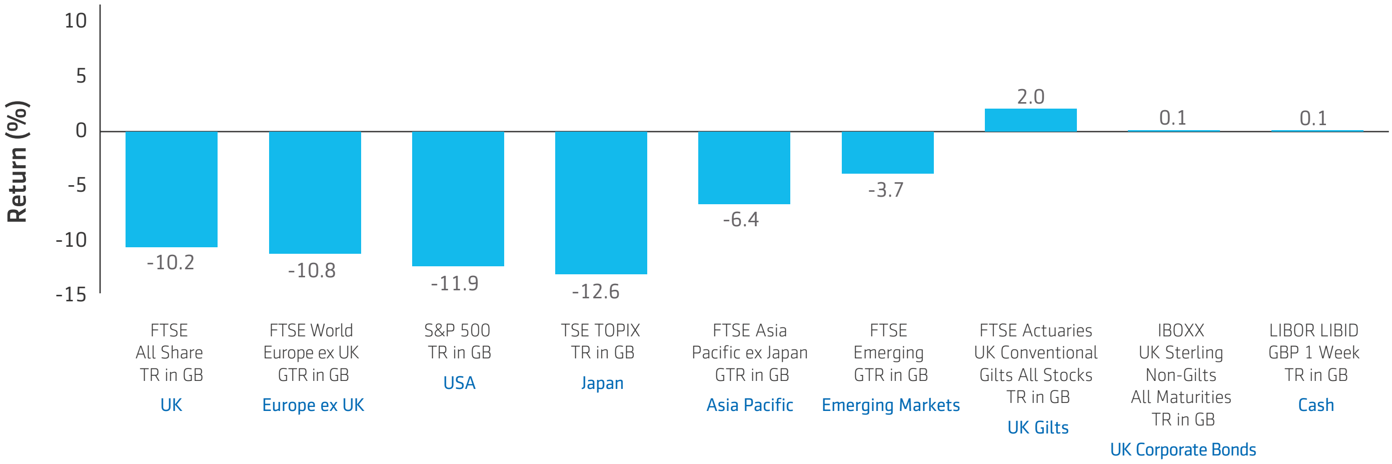
The range also includes seven lifestyle versions that aim to cater for investment needs right up to retirement.

For more information on how our Core Risk Profile Portfolios work and how to use them, please visit our website at www.aegon.co.uk/about-aegon/investments/growth-solutions/core.html

Market review – quarter four 2018

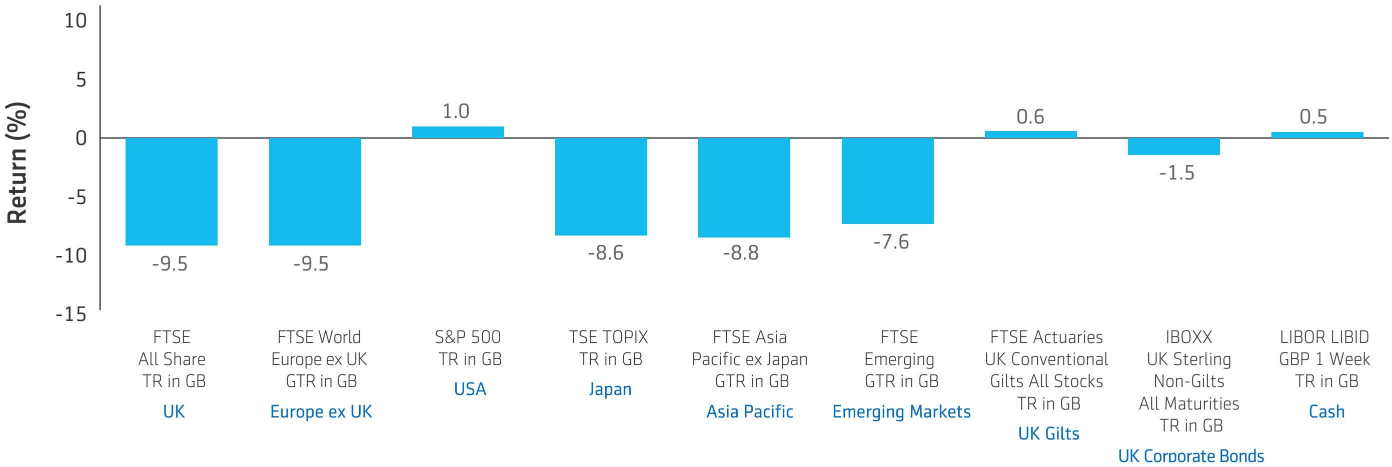
Global equity markets faced a turbulent quarter with double-digit declines across most developed market indices. Negative news over the period dented the outlook for global growth and damaged investor sentiment placing further downward pressure on global equity markets. Tensions between the US and China continued to dominate, despite a 90-day trade truce agreement made at a G20 summit in early December. Against this backdrop, Japanese equities experienced the largest falls. US equities followed close behind as the S&P 500 experienced its worst December since 1931. In Europe, instability surfaced, as German Chancellor Angela Merkel set out resignation plans and France was rocked by social unrest. UK equities fell in value as the possibility of a 'no deal' Brexit impacted investor sentiment as Prime Minister Theresa May failed to negotiate a deal acceptable to Parliament. Asia Pacific market equities closed a challenging year for the region, falling further over the quarter with the MSCI China A Index of onshore Chinese shares losing more than one-quarter of its value. Emerging market equities also saw further declines after a disappointing year in which they suffered from China's cooling economy and the effects of a strong US dollar.

In Fixed Interest markets, UK gilts posted a positive performance, benefitting from their perceived safety as investor risk aversion rose and Brexit led to a political crisis. The weak investment environment led corporate bonds to underperform over the period, yet they still rallied to produce a positive return. Sterling felt the effects of the heightening uncertainty over Brexit and fell further in response.



How did the major markets perform over 12 months?

The majority of Global equity markets ended the year in negative territory following a period of sharp declines in Q4 2018. US equities were the only developed market to deliver positive returns, as the region benefitted from continued growth and US dollar appreciation. Elsewhere, the unexpected economic slowdown and global trade tensions between the US and China led to poor performances from Japanese, Asia Pacific and Emerging market equities. European equities notably underperformed as a result of heightened political risk in Italy, France and Germany, while UK equities continued to struggle against growing uncertainty around Brexit. It was a mixed story for fixed interest assets, with positive performances from UK, US and German sovereign debt, with government bonds typically seen as safe havens and central banks continued to progressively step away from emergency interest rate policies.



Source: Financial Express, produced by Aegon. Charts compiled using total return indices to 31st December 2018. Figures in sterling so include the effect of currency fluctuations. Past performance is no guide to future performance.

What were the key events in the major markets in quarter four?

Here's a round-up of some of the key events that shaped the investment returns we've seen across the major markets.

In the UK, Prime Minster Theresa May reached a Withdrawal Agreement with the European Union (EU) but struggled to gain Parliamentary support. Tensions within the Conservative party saw Eurosceptics trigger a vote of no confidence in May's leadership which saw more than 100 Conservative MPs vote against the Prime Minister. Sterling weakened as a result. Data released in Q4 revealed UK GDP grew by 0.6% (quarter on quarter) over Q3. Despite this being the fastest growth rate since 2016, economists predicted a slowdown as Brexit approaches.

In the US, trade-war tensions continued with China despite a temporary truce being agreed in December. Domestic political risks rose as President Trump triggered a partial government shutdown just weeks after his Republican Party lost ground in the mid-term elections. The Fed met market expectations by raising US interest rates for the fourth time in 2018 in spite of softer inflation rates. Economic data released in Q4 showed US GDP growth grew 3.5% (on an annualised basis), in Q3. Unemployment remained at multi-decade lows, at 3.7%, but the Fed's preferred measure of inflation fell to 1.9%, below the 2% target.

In Europe, inflation decreased to 1.9%, in line with the European Central Bank's target of just under 2%. Disappointing economic data showed that Eurozone GDP rose by 0.2% in Q3, below expectations. In Germany, data released in Q4 revealed GDP unexpectedly contracted in Q3 and regional election losses led the regions Chancellor, Angela Merkel, being replaced as leader of the Christian Democratic Union of Germany (CDU) party. She will step down as Chancellor before the next election. In France, social unrest led President Macron to increase government spending to a level that may breach the EU's 3% deficit plans.

In Japan, economic data released over the period showed that GDP growth was weak in Q3 2018, falling 2.5% (on an annualised basis) – the sharpest decline for the region's economy since 2014. The scale of this GDP weakness is partly attributable to natural disasters that included flooding, an earthquake and a typhoon. Inflation rates remained significantly below the Bank of Japan's 2% target, at 0.8%. While plans by telecom companies to reduce mobile phone fees in the first half of 2019 are likely to act as an additional headwind to inflation.

In the Asia Pacific regions, the dispute between China and the US evolved from a broad trade disagreement to one focused on technological rivalry and limiting intellectual property theft. The arrest of Huawei's Chief Financial Officer (CFO) heightened these specific tensions. China's growth rate continued to suffer with data released in Q4 showing annual GDP growth falling to 6.5% in Q3, its lowest level since the first quarter of 2009 at the height of the financial crisis. Chinese authorities announced further stimulus policies over the quarter, including cutting bank's reserve requirement rations and signalling tax cuts. Elsewhere, Australia reported a slower quarterly GDP growth rate of 0.3% in Q3, as its economy felt the impact of the slowdown in China.

In Emerging markets, Brazil was the stand-out performer for the region as investors reacted positively to the election of right-wing candidate Jair Bolsonaro as President. Turkish equities showed signs of recovery, as tensions with the US eased following the release of US pastor Andrew Brunson, who had been arrested following the attempted coup in 2016. Despite agreeing the United States-Mexico-Canada Agreement (USMCA) trade agreement to replace the North American Free Trade Agreement (NAFTA), Mexican equities fell sharply. This was due to a decline in oil prices and the new populist President, Andres Manuel Lopez Obrador, disappointing investors with early measures that included cancelling a new international airport for Mexico City.

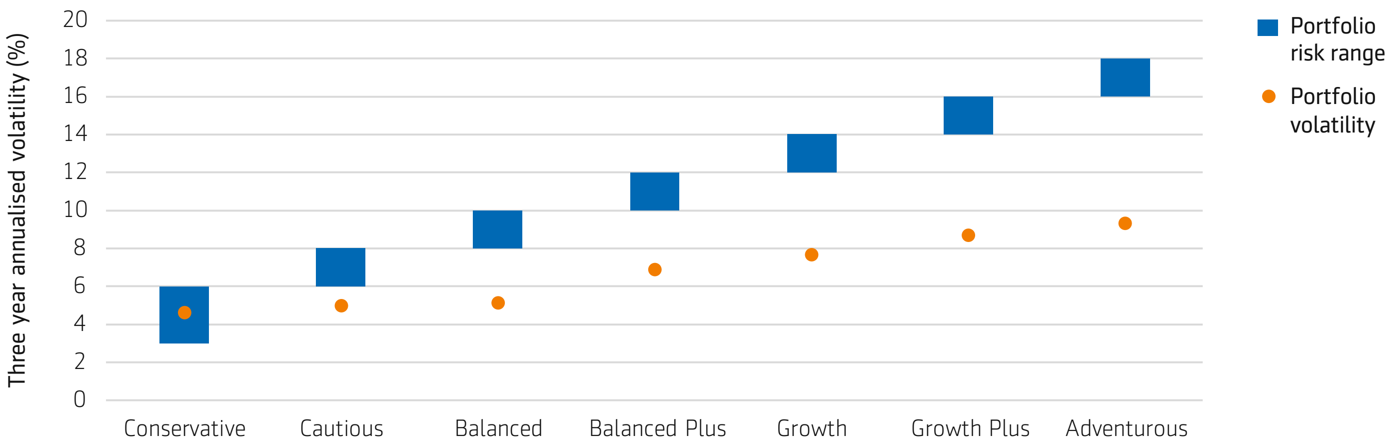
In Fixed Income markets, political uncertainty across the globe saw investors turn to the relative safety of government bonds despite continued, gradual policy tightening in the US and Eurozone. Yet due to lower inflation data, investors reduced their expectations for US interest rate rises in 2019, further boosting government bonds. In the UK, gilts benefitted from continued uncertainty regarding Brexit, while riskier high-yield corporate bonds delivered negative performance.

Fund performance

Fund	3 months (%)	Year to date (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Adventurous Core Portfolio	-10.3	-8.6	-8.6	8.8	6.2
Growth Plus Core Portfolio	-9.1	-7.8	-7.8	7.9	5.8
Growth Core Portfolio	-7.7	-6.7	-6.7	7.3	5.6
Balanced Plus Core Portfolio	-6.2	-5.4	-5.4	6.9	5.5
Balanced Core Portfolio	-4.5	-4.3	-4.3	6.0	5.0
Cautious Core Portfolio	-2.8	-3.1	-3.1	5.6	5.0
Conservative Core Portfolio	-0.5	-1.3	-1.3	4.6	4.4

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested.

The chart below shows the target risk/volatility ranges for each portfolio (the blue bands), expressed in standard deviation terms, and the orange circle shows the actual volatility. To give a more accurate picture, standard deviation (volatility) is generally measured over periods of at least three years.



Three-year annualised target volatility, to end December 2018

Source: Financial Express. Produced by Aegon. Figures show annualised volatility from 31 December 2015 to 31 December 2018. Past performance is no guide to future performance.

Each Core Risk Profile Portfolio has a target risk range that it aims to meet over a market cycle, which can last three years or more. Currently every portfolio except the Conservative Core is lagging behind its respective target risk range. The Core Risk Profile Portfolios are created based on long-term market analysis, so when market risk is lower than average, we would expect to see the portfolios fall below their target risk range. Market volatility is now lower than average in most sectors, especially those traditionally considered higher risk like equities (shares). This is reflected in the volatility of the Core Risk Profile Portfolios but is even more pronounced at the higher end of the risk spectrum – the Adventurous Core Portfolio is lagging further behind its target risk range than the less risky portfolios.

These target risk ranges may be met by increasing exposure to riskier markets in each portfolio. We believe, however, that investors are best served by a diversified portfolio that matches their individual risk profile over the long-term, as opposed to chasing market risk in periods of low volatility. For example, currently, the Adventurous Core Portfolio would have to be 100% invested in global emerging markets, to be close to its 16%–18% target risk range. As market volatility returns to normal levels, we expect the Core Risk Profile Portfolios to close the gap on their target risk ranges. Whether market volatility is high or low, the ranges will offer what we believe is an appropriate level of risk and suitably diversified asset allocation.

Adventurous Core Portfolio

This fund aims to provide long-term capital growth while keeping risk in a target volatility range of 16%–18% over a market cycle, which can last three years or more. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Adventurous Core Portfolio takes these changes into account.

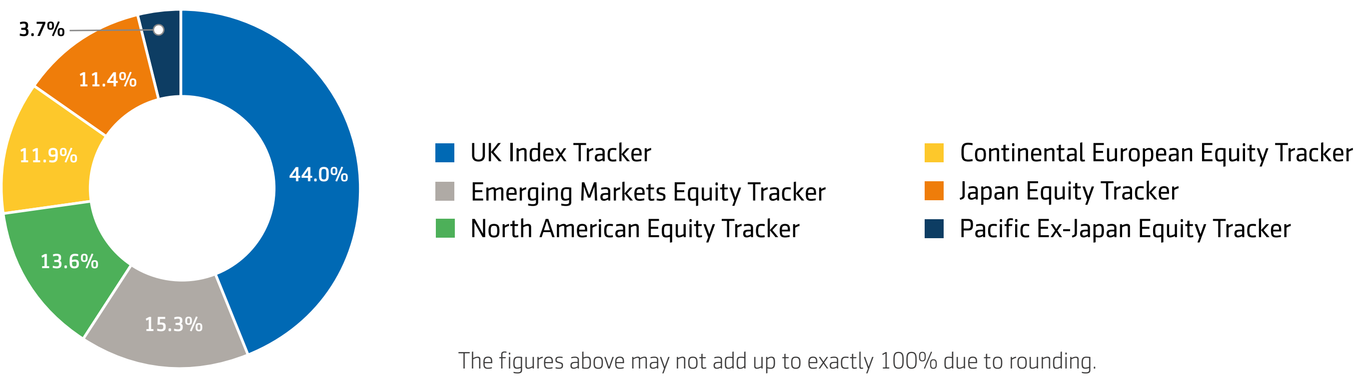
Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Adventurous Core Portfolio	-10.3	-8.6	8.8	6.2
UK Index Tracker	-10.4	-9.9	5.3	3.0
Emerging Markets Equity Tracker	-4.0	-9.1	13.7	6.3
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Continental European Equity Tracker	-11.6	-10.8	7.0	4.8
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Pacific ex-Japan Equity Tracker	-8.0	-7.7	12.6	6.8

Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 6 June 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Adventurous Core Portfolio as at 31 December 2018.

Fund commentary, quarter four 2018

The Adventurous Core Portfolio returned -10.3% over Q4 2018, as its full exposure to global equity markets weighed heavily on performance. The largest holding in the portfolio, the UK Index Tracker (44.0% of assets) returned -10.4% as the UK felt the effects of continued Brexit uncertainty and its resulting political upheaval. The Emerging Markets Equity Tracker (15.3%) gave the best equity performance with -4.0%, while contrastingly, the North American Equity Tracker (13.6%) gave -12.7%, in line with record-breaking declines for US equities as the S&P 500 experienced its worst December since 1931. In Europe, heightened political risk across several key regions led to significant declines for the Continental European Equity Tracker (11.9%), which posted -11.6%. The Japan Equity Tracker (11.4%) gave the worst performance, returning -13.6% as the region felt the effects of further global trade tensions over the period. The portfolios Asia Pacific assets in the Pacific Ex-Japan Equity Tracker (3.7%) posted -0.8% to close a disappointing year for the region.

Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

Growth Plus Core Portfolio

The fund aims to provide long-term capital growth while keeping risk in a target volatility range of 14%–16% over a market cycle, which can last three or more years. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Growth Plus Core Portfolio takes these changes into account.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Growth Plus Core Portfolio	-9.1	-7.8	7.9	5.8
UK Index Tracker	-10.4	-9.9	5.3	3.0
Emerging Markets Equity Tracker	-4.0	-9.1	13.7	6.3
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Continental European Equity Tracker	-11.6	-10.8	7.0	4.8
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Corporate Bond Tracker	0.5	-2.5	3.3	4.0
Pacific ex-Japan Equity Tracker	-8.0	-7.7	12.6	6.8
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Overseas Government Bond Tracker	4.3	4.5	6.9	5.4
Overseas Corporate Bond Tracker	1.3	1.6	7.6	6.2
Cash	0.0	-0.3	-0.5	-0.5

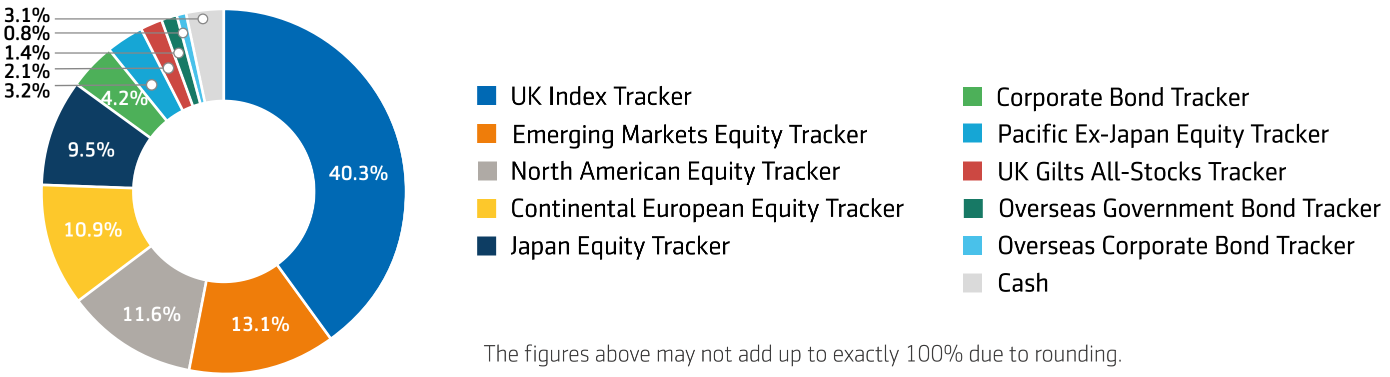
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 6 June 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Growth Plus Core Portfolio as at 31 December 2018.

Fund commentary, quarter four 2018

The Growth Plus Core Portfolio declined -9.1% over a quarter dominated by market turbulence for equity markets. Its majority weighting in UK equities (40.3% of assets) detracted as it fell by -10.4% in line with the increasing possibility of a Brexit 'no deal' in 2019. Emerging Markets (13.1%) gave -4.0% as the region felt the effects of a strong US dollar. The North American Equity Tracker (11.6%) produced -12.7% as the US experienced the impact of increasing domestic political risk with the partial shutdown of its government. European equities (10.9%) gave -11.6%, while the Japan Equity Tracker (9.5%) returned the largest fall of the quarter with -13.6%.

It was a different story for fixed interest markets as investors turned to perceived safer assets. The Corporate Bond Tracker (4.2%) returned a positive 0.5%, while the UK Gilts All-Stocks Tracker (2.1%) returned 1.8%. International Bonds (2.2%) were the stand-out performer for the portfolio with the Overseas Government Bond Tracker (1.4%) and Overseas Corporate Bond Tracker (0.8%) returning 4.3% and 1.3% respectively. Cash gave a more muted performance of 0.0% as Brexit uncertainty fed a decline for the UK currency.

Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

Growth Core Portfolio

The fund aims to provide long-term capital growth while keeping risk in a target volatility range of 12%–14% over a market cycle, which can last three or more years. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Growth Core Portfolio takes these changes into account.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Growth Core Portfolio	-7.7	-6.7	7.3	5.6
UK Index Tracker	-10.4	-9.9	5.3	3.0
Emerging Markets Equity Tracker	-4.0	-9.1	13.7	6.3
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Continental European Equity Tracker	-11.6	-10.8	7.0	4.8
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Corporate Bond Tracker	0.5	-2.5	3.3	4.0
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Overseas Government Bond Tracker	4.3	4.5	6.9	5.4
Pacific ex-Japan Equity Tracker	-8.0	-7.7	12.6	6.8
Overseas Corporate Bond Tracker	1.3	1.6	7.6	6.2
Cash	0.0	-0.3	-0.5	-0.5

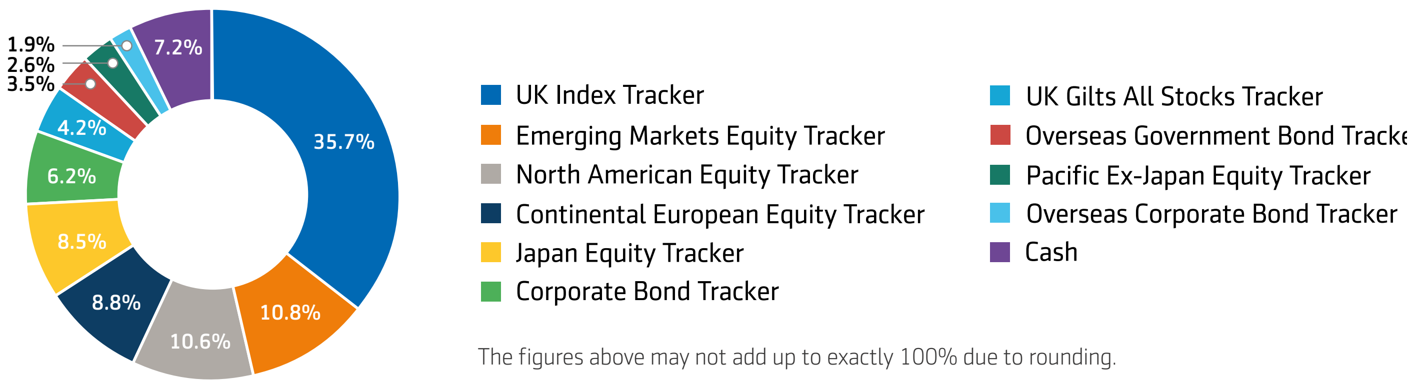
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 6 June 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Growth Core Portfolio as at 31 December 2018.

Fund commentary, quarter four 2018

The Growth Core Portfolio delivered -7.7% over Q4 2018, in line with a negative performance from all global equity markets. A key contributor to this negative return was the fund's majority exposure to UK equities with the UK Index Tracker (35.7% of assets) returning -10.4%, as the region felt the continued effects of Brexit uncertainty. With the US-China trade war serving as a volatile market backdrop combined with domestic political conflict, the Emerging Markets Equity Tracker (10.8%) returned -4.0%, while the North American Equity Tracker (10.6%) and Continental European Equity Tracker (8.8%) posted -12.7% and -11.6% respectively. Japanese equities were the worst performing over the period, returning -13.6%.

Contrastingly, the portfolio's fixed income assets saw positive returns as a more cautious investor sentiment meant a shift towards safer haven investments. The Corporate Bond Tracker (6.2%) gained 0.5%, while the UK Gilts All-Stocks returned 1.8%. The stand-out performer for the portfolio was the Overseas Government Bond Tracker (3.5%) with 4.3%. Cash (7.2%) gave a more muted 0.0% as Sterling fell further in line with further Brexit uncertainty and political tension.

Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

Balanced Plus Core Portfolio

The fund aims to provide long-term capital growth while keeping risk in a target volatility range of 10%–12% over a market cycle, which can last three or more years. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Balanced Plus Core Portfolio takes these changes into account.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Balanced Plus Core Portfolio	-6.2	-5.4	6.9	5.5
UK Index Tracker	-10.4	-9.9	5.3	3.0
Corporate Bond Tracker	0.5	-2.5	3.3	4.0
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Continental European Equity Tracker	-11.6	-10.8	7.0	4.8
Emerging Markets Equity Tracker	-4.0	-9.1	13.7	6.3
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Overseas Government Bond Tracker	4.3	4.5	6.9	5.4
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Overseas Corporate Bond Tracker	1.3	1.6	7.6	6.2
Pacific ex-Japan Equity Tracker	-8.0	-7.7	12.6	6.8
Cash	0.0	-0.3	-0.5	-0.5

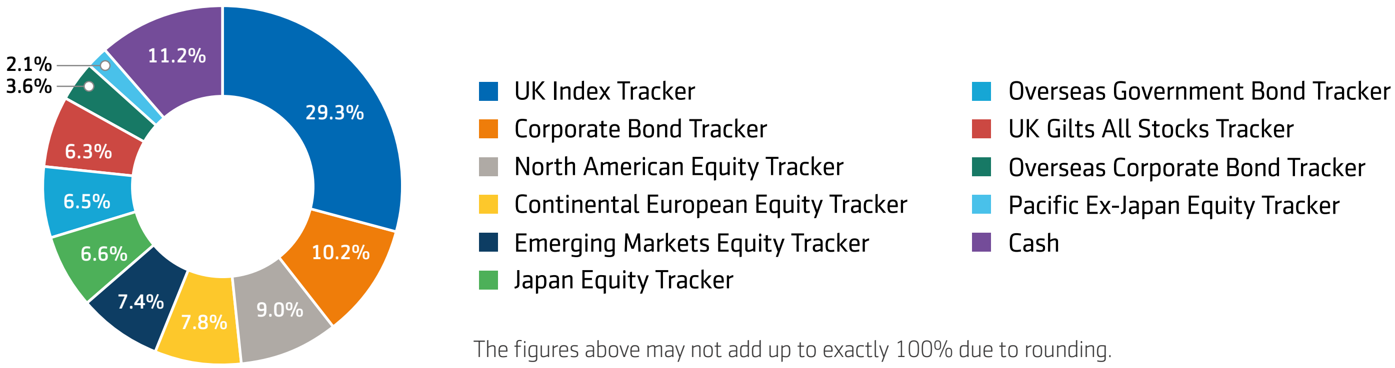
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 6 June 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Balanced Plus Core Portfolio as at 31 December 2018.

Fund commentary, quarter four 2018

The Balanced Plus Core Portfolio gave a negative return of -6.2%. As it is strongly biased towards equities, the portfolio felt the effects of an unsettling period for the world's equity markets. The UK Index Tracker (29.3% of assets) returned -10.4% as Brexit uncertainty led to significant falls. Brexit tensions also impacted the second-highest weighting in the fund with Cash (11.2%) returning 0.0% in line with a fall in Sterling. In Fixed Interest, markets benefited as investor risk aversion rose. As a result, the Corporate Bond Tracker (10.2%) returned 0.5%, while the Overseas Government Bond Tracker (6.5%) returned 4.3%. Other fixed-interest assets, such as the UK Gilts All Stocks Tracker (6.3%) and Overseas Corporate Bond Tracker (3.6%) also offered the portfolio buoyance, with gains of 1.8% and 1.3% respectively.

Contrastingly, the equity proportion of the fund saw significant declines. The North American Equity Tracker (9.0%) fell -12.7% as the region's S&P 500 felt its worst December since 1931. Emerging Markets gave -4.0%. Against the backdrop of the US-China trade war, it was a similar story for European (7.8%) and Japanese (6.6%) equities, returning -11.6% and -13.6%. Asia Pacific equities (2.1%) also gave a negative return of -8.0%.

Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

Balanced Core Portfolio

The fund aims to provide long-term capital growth while keeping risk in a target volatility range of 8%–10% over a market cycle, which can last three or more years. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Balanced Core Portfolio takes these changes into account.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Balanced Core Portfolio	-4.5	-4.3	6.0	5.0
UK Index Tracker	-10.4	-9.9	5.3	3.0
Corporate Bond Tracker	0.5	-2.5	3.3	4.0
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Overseas Government Bond Tracker	4.3	4.5	6.9	5.4
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Continental European Equity Tracker	-11.6	-10.8	7.0	4.8
Emerging Markets Equity Tracker	-4.0	-9.1	13.7	6.3
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Overseas Corporate Bond Tracker	1.3	1.6	7.6	6.2
Cash	0.0	-0.3	-0.5	-0.5

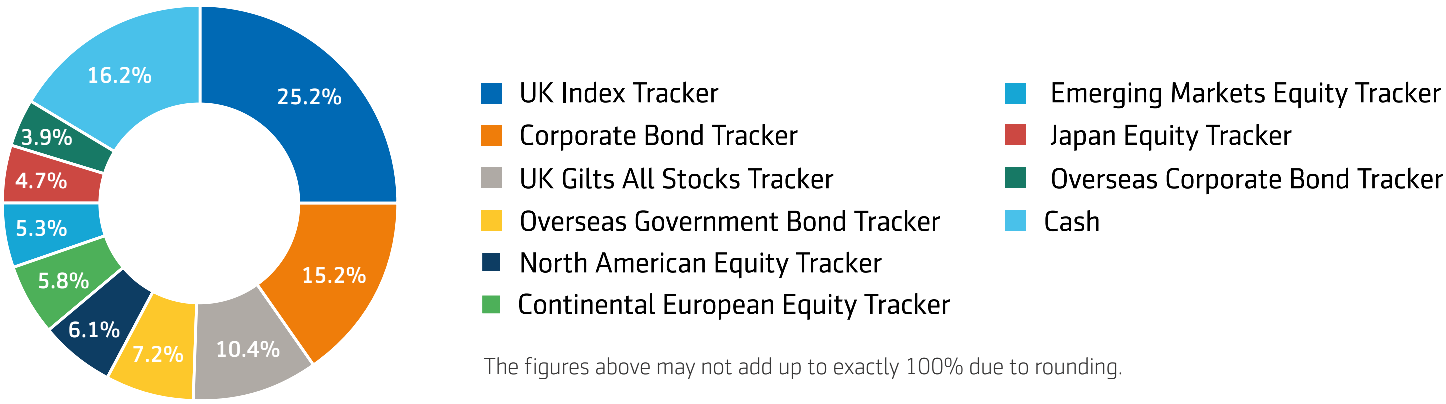
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 6 June 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Balanced Core Portfolio as at 31 December 2018.

Fund commentary, quarter four 2018

The Balanced Core Portfolio posted -4.5% over Q4 2018. The portfolio's largest weighting in the UK Index Tracker (25.2% of assets) contributed significantly to its negative performance with a disappointing return of -10.4%, as the region's equity markets tumbled in line with Brexit uncertainty. Sharing the impact of the UK's political insecurity while debating a suitable exit from the EU, was the fund's second largest weighting in the portfolio in Cash (16.2%). Sterling fell over the period, resulting in a muted 0.0% return. The fund was buoyed by its portion in fixed-income markets, with the Corporate Bond Tracker (15.2%), UK Gilts All-Stocks Tracker (10.4%) and Overseas Government Bond Tracker (7.2%) gaining 0.5%, 1.8% and 4.3% respectively; benefitting from an increase in investor risk aversion over the period.

The North American Equity Tracker (6.1%) fell -12.7% as the region's S&P 500 experienced its worst December since 1931. The Continental European Equity Tracker (5.8%) and Japan Equity Tracker (4.7%) also delivered negative returns of -11.6% and -13.6%. The Emerging Markets Equity Tracker (5.3%) posted -4.0%.

Asset allocation at end December 2018



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Cautious Core Portfolio

The fund aims to provide long-term capital growth while keeping risk in a target volatility range of 6%–8% over a market cycle, which can last three or more years. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Cautious Core Portfolio takes these changes into account.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Cautious Core Portfolio	-2.8	-3.1	5.6	5.0
UK Index Tracker	-10.4	-9.9	5.3	3.0
Corporate Bond Tracker	0.5	-2.5	3.3	4.0
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Overseas Government Bond Tracker	4.3	4.5	6.9	5.4
Overseas Corporate Bond Tracker	1.3	1.6	7.6	6.2
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Emerging Markets Equity Tracker	-4.0	-9.1	13.7	6.3
Index-Linked Gilt Tracker	2.0	-1.7	8.0	8.2
Continental European Equity Tracker	-11.6	-10.8	7.0	4.8
Cash	0.0	-0.3	-0.5	-0.5

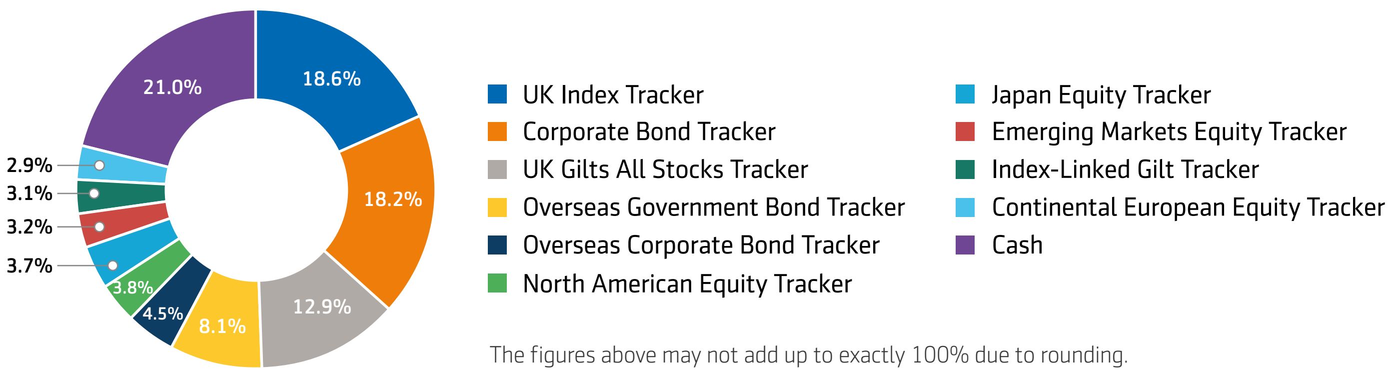
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 6 June 2012. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Cautious Core Portfolio as at 31 December 2018.

Fund commentary, quarter four 2018

The Cautious Core Portfolio delivered a return of -2.8% over the quarter. With its bias towards bond markets and lesser equity exposure, the fund was buoyed by an increasingly strong demand for lower-risk investments, yet still delivered negative returns. The fund's largest allocation to Cash (21.0% of assets) gave 0.0% as Sterling declined in line with heightening Brexit uncertainty during the period. The UK Index Tracker (18.6%) was also impacted by Brexit-induced falls, returning -10.4%. Contrastingly, the Corporate Bond Tracker holding (18.2%) gained 0.5%, despite a challenging investment environment. Similarly positive results could be seen of government bonds, with the UK Gilts All-Stocks Tracker (12.9%) and Overseas Government Bond Tracker (8.1%) returning 1.8% and 4.3% respectively. Overseas Corporate Bonds (4.5%) also had a strong quarter making a return of 1.3%.

With the backdrop of global trade tensions and worldwide political uncertainty, the fund's equity proportion failed to deliver positive returns across the board. The North American Equity Tracker (3.8%) gave a negative return of -12.7%, but the most significant falls were seen from the Japan Equity Tracker (3.7%), returning -13.6%.

Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

Conservative Core Portfolio

The fund aims to provide long-term capital growth while keeping risk in a target volatility range of 3%–6% over a market cycle, which can last three or more years. Morningstar helps us select and manage the blend of funds it contains. However, these can change and the performance of the Conservative Core Portfolio takes these changes into account.

Please note, on 1 June 2012, the fund's name changed from the Conservative Select Portfolio. The fund was also moved into the Core Risk Profile Portfolio fund range.

Fund	3 months (%)	1 year (%)	3 years (% per year)	5 years (% per year)
Conservative Core Portfolio	-0.5	-1.3	4.6	4.4
Corporate Bond Tracker	0.5	-2.5	3.3	4.0
UK Gilts All-Stocks Tracker	1.8	-0.6	3.1	4.2
Overseas Government Bond Tracker	4.3	4.5	6.9	5.4
UK Index Tracker	-10.4	-9.9	5.3	3.0
Overseas Corporate Bond Tracker	1.3	1.6	7.6	6.2
Index-Linked Gilt Tracker	2.0	-1.7	8.0	8.2
North American Equity Tracker	-12.7	-1.5	12.8	12.1
Japan Equity Tracker	-13.6	-10.0	7.8	7.8
Cash	0.0	-0.3	-0.5	-0.5

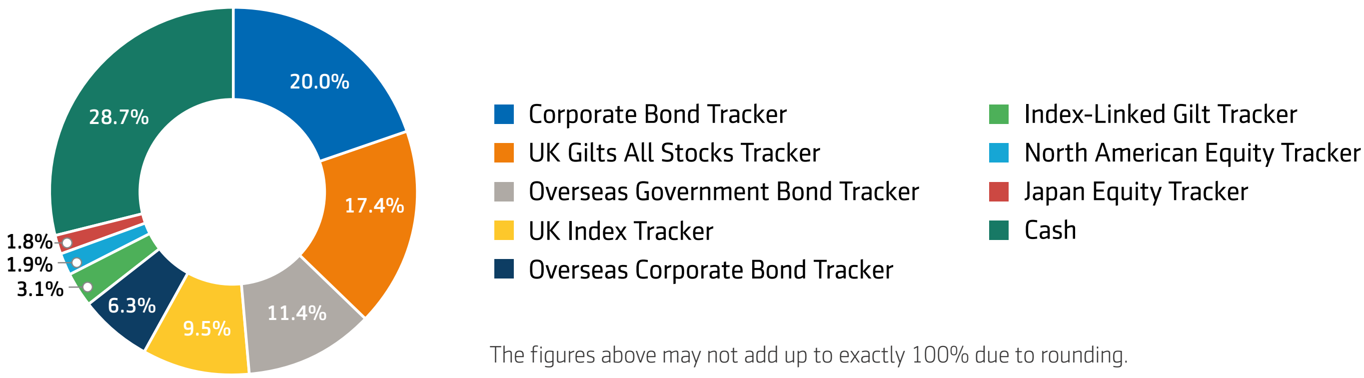
Source: Financial Express. Produced by Aegon. Figures in £s, bid-to-bid basis, net of charges, with gross income reinvested to 31 December 2018. Fund launched on 31 December 2009. Past performance is no guide to future performance. The value of an investment may go down as well as up and investors may get back less than originally invested. Please note: the funds shown below the blue line are the current components of the Conservative Core Portfolio as at 31 December 2018

Fund commentary, quarter four 2018

The Conservative Core Portfolio made a negative return of -0.5% over Q4 2018. This fund pursues a low-risk strategy and has a bias towards bond and fixed income markets with less exposure to global equities. Its largest weighting in Cash (28.7% of assets) returned a muted 0.0% as Sterling fell over the period in response to increased uncertainty around Brexit. Contrastingly, the portfolio benefitted from the positive performances delivered by its holdings in government and corporate bonds. The fund's second largest weighting in the Corporate Bond Tracker (20.0%) returned a positive 0.5%, while the UK Gilts All-Stocks Tracker (17.4%) returned 1.8%. Overseas bonds were the stand-out performers for the portfolio, with Overseas Government Bond Tracker (11.4%) and the Overseas Corporate Bond Tracker (6.3%) returning 4.3% and 1.3% respectively. Index-Linked markets also performed well and delivered a positive return of 2.0%.

The portfolio's equity component experienced significant declines in line with the challenging investment environment over the period. The UK Index Tracker (9.5%) returned -10.4% while the North American Equity Tracker (1.9%) returned -12.7%. But it was the Japan Equity Tracker (1.8%) that gave the worst performance of the quarter, returning -13.6%.

Asset allocation at end December 2018



The figures above may not add up to exactly 100% due to rounding.

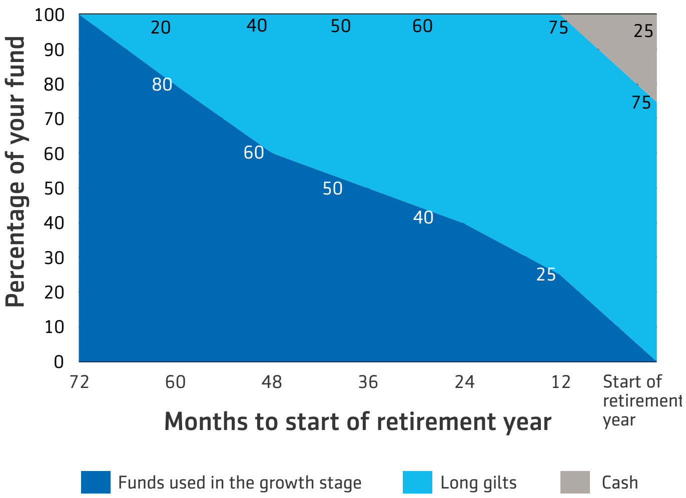
Our current lifestyle process

The Core Risk Profile Portfolio range also includes lifestyle versions of each fund for an even simpler solution that caters for your client's needs right up to retirement. Our Core Risk Profile Lifestyle Portfolios use a two-stage investment process called 'lifestyling'. Initially, they'll be invested in the Core Risk Profile Portfolio that matches their attitude to risk.

Then, as they approach retirement, their investment changes with the aim of giving them more certainty about the amount of pension they'll be able to buy via an annuity.

The table below shows the Core Risk Profile Lifestyle Portfolio and the underlying Core Risk Profile Portfolio it invests directly into during the growth stage.

Core Risk Profile Lifestyle Portfolio		Core Risk Profile Portfolio
Adventurous Core Lifestyle Portfolio	›	Adventurous Core Portfolio
Growth Plus Core Lifestyle Portfolio	›	Growth Plus Core Portfolio
Growth Core Lifestyle Portfolio	›	Growth Core Portfolio
Balanced Plus Core Lifestyle Portfolio	›	Balanced Plus Core Portfolio
Balanced Core Lifestyle Portfolio	›	Balanced Core Portfolio
Cautious Core Lifestyle Portfolio	›	Cautious Core Portfolio
Conservative Core Lifestyle Portfolio	›	Conservative Core Portfolio



How do the funds work in the lifestyle stage?

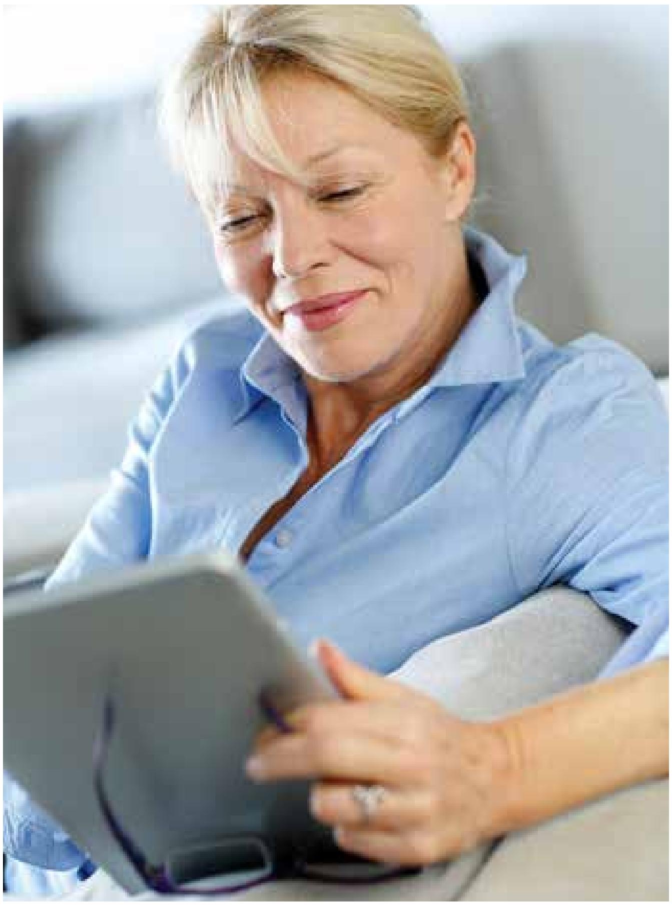
The lifestyle stage starts six years before the start of your client's target retirement year and recognises that their priorities may change as retirement approaches. It assumes they'll buy an annuity to provide themselves with an income (pension) for life (or a specified number of years) when they retire.

Some years before they're due to retire, we'll progressively start switching their investment into our Long Gilt fund with the aim of giving them an income when they retire.

We'll also move some of their pension pot into our Cash fund in the final two years of their investment.

*Please note, the lifestyle stage may vary for each fund. Please see the individual factsheets for more information.

Retirement



If your clients don't buy an annuity in their selected retirement year, they'll automatically be switched into our Retirement fund. This keeps their asset allocation at 75% invested in our Long Gilt fund and 25% invested in our Cash fund. They will remain in this fund until they tell us otherwise.

The Retirement fund is designed for short-term investing, where preserving the size of the annuity your client can buy is the priority. Its returns may not keep pace with inflation.

From time to time, we'll review the structure of the fund and we may make changes if we need to. If we decide to replace this fund with another, we'll write to your clients in advance.

There's no guarantee that fund objectives will be met. The value of an investment may go down as well as up and investors may get back less than originally invested.

Why long gilts?

Long gilts are fixed-interest investments issued by the UK government with maturity dates of 15 years or more.

When annuity rates (which determine how much pension your clients will get per year) go down, the value of a pension pot that's invested in long gilts is likely to go up, and vice versa.

This means that if your clients invest in long gilts, the level of income they'll get at retirement is less likely to change dramatically if annuity rates move up or down just before they retire.

Long gilt values can go down as well as up. The relationship between long gilts and annuity rates isn't perfect and can be affected by other factors.

Why cash?

Moving into cash caters for your clients' tax-free cash entitlement.

Your clients can choose how much of their cash entitlement they want to take, but our process assumes they'll take the maximum which, based on current legislation, is 25% of their pension pot.

Important information

Please note – we reserve the right to add, remove and replace funds within the Core Risk Profile Portfolios or alter weightings between funds with the aim of making sure they continue to meet their aims and objectives. This may affect the additional charges/ expenses we disclose for the portfolios. We'll announce any changes on the 'Fund changes and news' section of our website: https://www.aegon.co.uk/about-aegon/investments/fund-changes-and-news.html

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