

Aeon Smart Multi-Factor Equity Fund

Fund information as at 30 September 2018

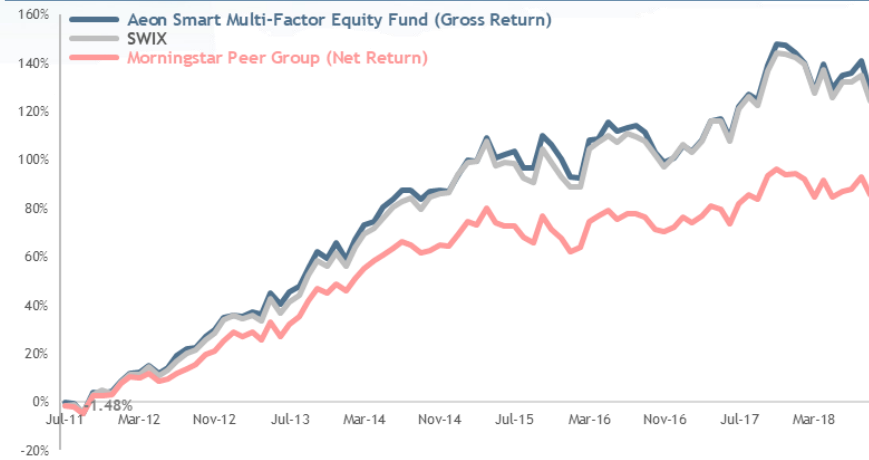
Fund name has changed from Aeon Enhanced Equity Fund to Aeon Smart Multi-Factor Equity Fund



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Fund Performance

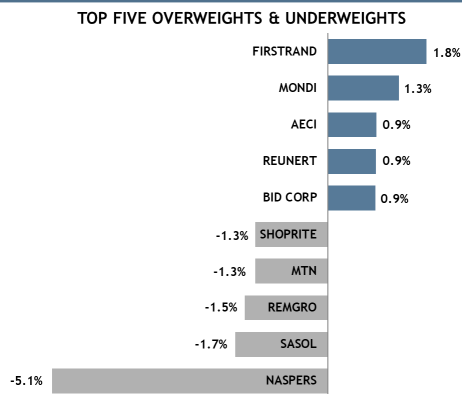
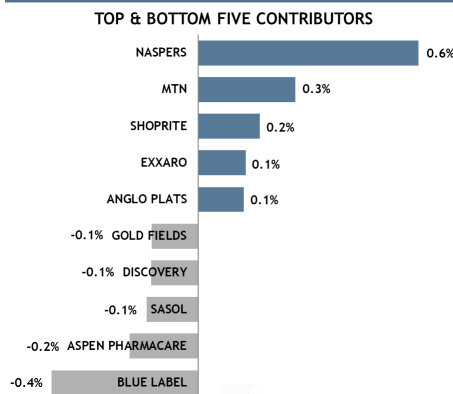
Cumulative Performance - since inception - Gross Return



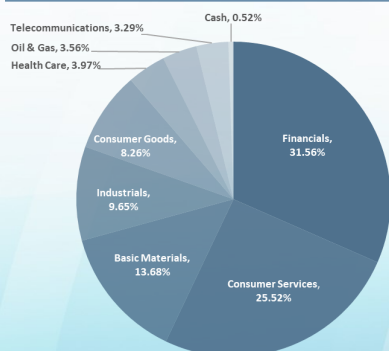
Monthly - Gross Return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013 Fund	0.68%	-0.38%	1.25%	-0.81%	6.69%	-3.39%	3.58%	1.77%	5.10%	4.16%	-1.60%	4.13%	22.78%
2013 Benchmark	1.51%	-1.11%	1.22%	-1.68%	6.70%	-3.99%	3.26%	2.03%	5.57%	4.14%	-1.60%	3.50%	20.71%
2014 Fund	-4.34%	5.23%	3.65%	0.82%	3.35%	1.90%	1.95%	0.14%	-2.13%	1.92%	0.07%	-0.20%	12.68%
2014 Benchmark	-3.34%	4.90%	3.33%	1.52%	2.28%	2.76%	1.36%	0.61%	-2.43%	2.83%	0.62%	0.28%	15.42%
2015 Fund	3.54%	3.25%	-0.28%	5.03%	-4.03%	0.79%	0.48%	-3.26%	-0.14%	6.95%	-1.89%	-2.83%	7.18%
2015 Benchmark	3.99%	2.56%	0.20%	4.31%	-4.86%	0.64%	-0.15%	-3.10%	-1.00%	7.28%	-2.70%	-2.90%	3.62%
2016 Fund	-3.74%	-0.19%	8.09%	0.31%	3.24%	-1.70%	0.70%	0.49%	-1.30%	-3.89%	-2.19%	0.97%	0.23%
2016 Benchmark	-2.31%	0.06%	8.32%	1.25%	1.34%	-1.27%	1.88%	-0.66%	-0.89%	-2.81%	-2.35%	1.98%	4.13%
2017 Fund	2.47%	-1.09%	2.28%	3.91%	0.33%	-3.72%	6.34%	2.20%	-1.03%	6.35%	3.68%	-0.14%	23.24%
2017 Benchmark	2.57%	-1.49%	2.24%	4.06%	-0.07%	-3.83%	6.34%	2.42%	-1.73%	6.51%	3.09%	-0.16%	21.21%
2018 Fund	-1.24%	-1.85%	-4.76%	4.89%	-4.21%	2.34%	0.41%	2.16%	-5.32%				-7.82%
2018 Benchmark	-0.68%	-1.18%	-5.00%	4.29%	-4.73%	2.74%	0.10%	1.15%	-4.54%				-8.00%

Performance Summary - Gross Return	Fund	Benchmark	Active Return
1 month	-5.32%	-4.54%	-0.78%
3 months	-2.88%	-3.34%	0.46%
6 months	-0.14%	-1.34%	1.19%
Year to date	-7.82%	-8.00%	0.19%
1 Year	1.50%	0.86%	0.64%
3 Years (annualised)	5.10%	5.58%	-0.48%
5 Years (annualised)	7.98%	8.05%	-0.07%
7 Years (annualised)	13.26%	12.93%	0.33%
Since Inception (cumulative)	127.98%	124.23%	3.75%
Since Inception (annualised)	12.04%	11.78%	0.26%

Fund Holdings (for the quarter as at 30 September 2018)



Sector Allocation



Top Ten Holdings (%)

Naspers	18.31
Firstrand	5.77
Standard Bank	4.03
Sasol	3.56
BTI	2.97
Bid Corporation	2.89
Anglo American	2.70
Richemont	2.41
Sanlam	2.39
Growthpoint Properties	2.36

Fund Description

Aeon Investment Management's Smart Multi-Factor Equity Fund strategy employs a multiple fundamental factor model as its base. Systematic security selection and trading models are used to achieve the fund's objective of outperforming the SWIX benchmark at low cost and tracking error. The portfolio is constructed in a risk managed framework.

Investors should consider the Aeon Smart Multi-Factor Equity Fund if they have a long term investment horizon (5-years or longer), and are looking for capital gains at low cost.

Fund Objectives

Aeon Smart Multi-Factor Equity Fund seeks to achieve:

- Achieve consistent outperformance of the benchmark
- Generate excess returns that are positive, stable, explainable and replicable
- Target tracking error below 2%
- Manage risk through disciplined portfolio construction.

Fund Managers



Asief Mohamed
Chief Investment Officer
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Jay Vomacka
Portfolio Manager
CFA, MSc(Eng)(Ind)(Elec), CFTe

Fund Information

Benchmark: SWIX
Inception date: 1 July 2011
Fund size: R 77.75 million
Investment horizon: Five years plus
Classification: South African - Equity - General
Asset Allocation: 99% Equity and 1% Cash

Risk Profile

Conservative Moderate **Aggressive**

- Generally these portfolios hold more equity exposure than any other risk profiled portfolios therefore tend to carry higher volatility.
- Expected potential long term returns could be higher than other risk profiles, in turn potential losses of capital could be higher.

Fees & Charges

Flat Fee: 0.35% p.a. plus VAT

Administration

Fund trustee & custodian: Nedbank Investor Services
Fund administration: Prescient Management Company (RF) (Pty) Ltd

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Aeon Investment Management (Pty) Ltd is an authorised FSP. FSP Number: 27126 | Level-1 BBBEE Contributor.

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Fund Performance Review & Market Commentary

The Aeon Smart Multi-Factor Equity Fund outperformed its benchmark by 46 bps for the third quarter of 2018 and is outperforming its benchmark by 64 bps over a one-year period on a gross return basis.

Underweight positions in Naspers and MTN were the main positive contributors to return for the quarter. Overweight positions in Blue Label Telecoms and Aspen Pharmacare were the main detractors. The benchmark equity index was down 3.34% for the third quarter of 2018.

The strongest sector for the third quarter ended September was Resources as Sasol, Anglo American and BHP Billiton benefited off the back of positive global news and a stronger oil price. Healthcare was the weakest sector as a negative surprise from Aspen coupled with an uncertain global and local regulatory outlook weighed on counters.

Globally, market volatility and uncertainty remained the major theme. Geopolitical risk has increased substantially. The global trade war narrative has continued to plague the headlines. Trump's trade wars against an ever-increasing amount of nations remains an ongoing concern for investors. This is not being aided by comments from Trump threatening a withdrawal from the World Trade Organisation. Emerging market currencies such as the Rand have been under pressure this year and this is especially so given the decreasing economic GDP growth projections of South Africa. This is expected to continue as Fed hike rates are expected at an increasing rate going forward. All this results in negative market sentiment and a risk-off mentality and this can be seen in the volatile market returns.

Locally, the market has been at the mercy of these international events. Local politics has not helped the matter. Issues with land reform, mining charter uncertainty, unemployment worsening, and wage negotiations are all still on-going. High positive expectations on the change in leadership have been priced in but leadership battles continue within the ANC in the run up to the national elections in May 2019. The original positive momentum has dwindled as hard policy changes have yet to be made and implemented. Furthermore, South Africa entered a technical recession as GDP fell for two consecutive quarters. This coupled with SA's lack of fiscal options may weigh on rating agencies metrics.

Local corporate events didn't help lift sentiment. China have proposed limits on children's online gaming activities, which saw Tencent and its shareholder Naspers fall sharply post the announcement. Many "market darlings" became "fallen angels" as company results missed market expectations and provided a cautious forward outlook. Further negative sentiment from foreigners gained traction weighing on the markets and increasing broad market losses.

Looking forward, the optimistic growth expectations set for the local economy seem to be disappointing. Real actions have been taken, but more certainty in policies needs to be accomplished. Globally, inflation and GDP numbers will be key to try gauge the timing and level of tighter monetary policies. All this leads to further uncertainty in the global markets. We have seen pockets of opportunity begin to surface and monitor these closely. Astute stock picking that delivers superior value through the cycle and companies whose cash flows support earnings tend to outperform the market.

Disclaimer

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Glossary

Annualised performance: Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

Active Return / Alpha: Denoted the outperformance of the fund over the benchmark.

Contact Details

Investment Management

Aeon Investment Management (Pty) Ltd is an authorised Financial Services Provider (FSP No: 27126) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No.37 of 2002). Please be advised that there may be representatives acting under supervision.

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