

# Aeon Balanced Fund (CPI + 5%)

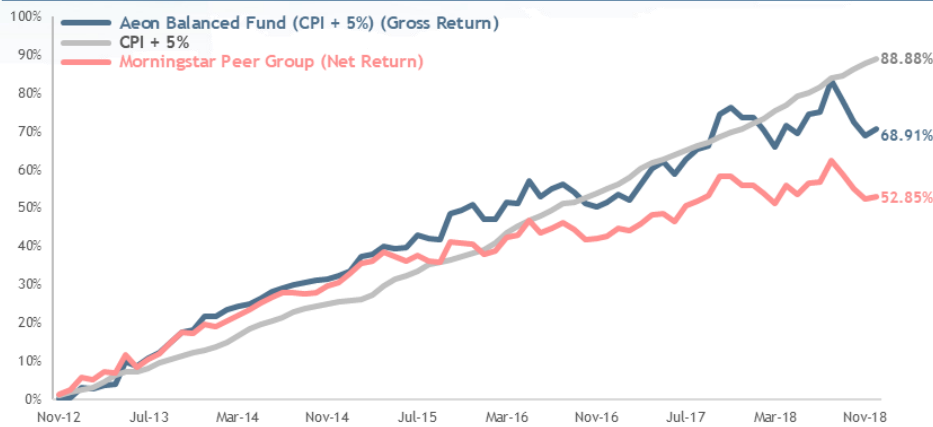
Fund information as at 31 December 2018



**aeon**  
investment management  
long term wealth creation

## 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	2.49%	-0.16%	0.88%	0.05%	5.71%	-1.11%	2.00%	1.36%	2.29%	2.44%	0.52%	2.81%	20.88%
2013 Benchmark	0.62%	0.72%	1.42%	1.62%	0.82%	0.12%	0.72%	1.52%	0.72%	0.92%	0.62%	0.52%	10.79%
2014 Fund	0.15%	1.40%	0.60%	0.61%	1.09%	1.35%	0.88%	0.47%	0.49%	0.41%	0.32%	0.75%	8.87%
2014 Benchmark	0.72%	1.12%	1.52%	1.72%	0.92%	0.62%	0.72%	1.22%	0.82%	0.42%	0.62%	0.42%	11.34%
2015 Fund	0.85%	2.96%	0.41%	1.41%	-0.34%	0.22%	2.33%	-0.66%	-0.21%	4.77%	0.63%	1.00%	14.07%
2015 Benchmark	0.22%	0.22%	1.02%	1.82%	1.32%	0.72%	0.82%	1.42%	0.42%	0.42%	0.72%	0.52%	10.02%
2016 Fund	-2.64%	0.05%	3.05%	-0.33%	3.88%	-2.58%	1.41%	0.70%	-1.34%	-1.90%	-0.49%	0.64%	0.21%
2016 Benchmark	0.72%	1.22%	1.82%	1.22%	1.22%	0.62%	1.02%	1.22%	0.32%	0.62%	0.92%	0.72%	12.23%
2017 Fund	1.46%	-0.94%	2.62%	2.64%	1.17%	-1.95%	2.33%	1.67%	0.52%	5.04%	0.89%	-1.52%	14.61%
2017 Benchmark	0.82%	1.02%	1.52%	1.02%	0.52%	0.72%	0.62%	0.72%	0.52%	0.92%	0.72%	0.52%	10.03%
2018 Fund	0.00%	-1.78%	-2.61%	3.36%	-1.22%	2.96%	0.38%	4.74%	-2.96%	-3.18%	-1.91%	1.00%	-1.58%
2018 Benchmark	0.92%	0.72%	1.22%	0.82%	1.22%	0.61%	0.82%	1.22%	0.32%	0.88%	0.83%	0.85%	10.54%

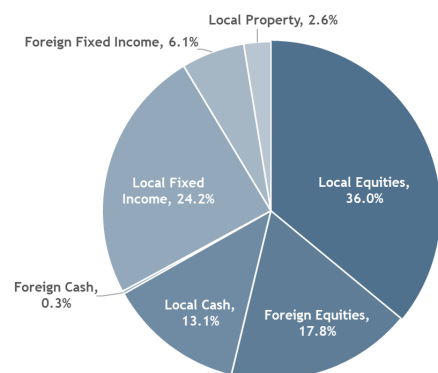
\* Benchmark return lags by one month.

Performance Summary - Gross Return

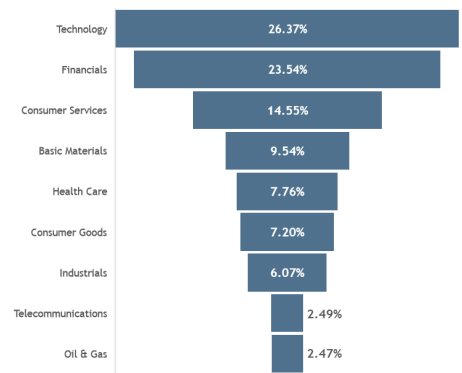
	Fund	Benchmark	Active Return
1 month	1.00%	0.62%	0.38%
3 months	-4.08%	2.47%	-6.55%
6 months	-2.13%	4.89%	-7.02%
Year to date	-1.58%	10.78%	-12.37%
1 Year	-1.58%	10.78%	-12.37%
3 Years (annualised)	4.17%	11.01%	-6.84%
5 Years (annualised)	7.02%	10.88%	-3.86%
Since Inception (cumulative)	70.60%	88.88%	-18.29%
Since Inception (annualised)	9.05%	10.86%	-1.82%

## Fund Holdings (for the quarter as at 31 December 2018)

Asset Allocation



Sector Allocation (as a % of Equities)



Top Ten Holdings (as a % of Equities)



## Investment Philosophy

Aeon Investment Management's equity investment style is Growth At a Reasonable Price (GARP) and modelling Implied vs. Sustainable Growth. We also utilise our in-house Currency Model for foreign asset allocation and the Fear & Greed Index for appropriate protective structure overlays. Aeon Balanced Prescient Fund's investment strategy encompasses active asset allocation and active management of underlying equity and fixed income assets. The fund has five diversified sources of alpha (GARP Active Equity, Smart Multi-Factor Equity, GARP Foreign Equity, Diversified Income, Derivative Protective Overlay).

## Fund Objectives

The Aeon Balanced Fund (CPI + 5%) seeks to achieve:

- Inflation-beating returns by investing in the full spectrum of domestic and foreign equity and fixed income markets
- Provide investors with stable income and modest capital appreciation in the long run
- Manage risk through disciplined portfolio construction
- Employ low cost trading techniques

## Fund Managers



**Asief Mohamed**  
Chief Investment Officer  
B.Com. CA(SA), CFA



**Jay Vomacka**  
Portfolio Manager  
CFA, MSc(Eng)(Ind)(Elec), CFTe

## Fund Information

**Benchmark:** CPI + 5%  
**Inception date:** 1 November 2012  
**Fund size:** R 86.73 million  
**Investment horizon:** Five years plus  
**Classification:** South African - Multi Asset - Medium Equity  
**Regulation 28 compliant:** Yes

## Risk Profile

Conservative	<b>Moderate</b>	Aggressive
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- These portfolios generally hold more equity exposure than low risk portfolios but less than high risk portfolios.
- In turn the expected volatility is higher than low risk portfolios, but less than high risk portfolios.
- The probability of losses are higher than that of the low risk portfolios, but less than high risk portfolio.
- Expected potential long term investment returns could therefore be lower than high risk portfolios due to lower equity exposure, but higher than low risk portfolios.

## Fees & Charges

**Institutional clients have the option of a flat fee or performance fee structure:**

- **Flat Fee:** 0.50% p.a. plus VAT.
- **Performance Fee:** Base Fee of 0.35% p.a. plus VAT, plus Performance Fee of 20% plus VAT of outperformance capped at 80 bps

## Administration

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

## Contact Details

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

# Aeon Balanced Fund (CPI + 5%)

Fund information as at 31 December 2018



## Fund Performance Review & Market Commentary

The Aeon Balanced Fund (CPI + 5%) underperformed its benchmark by 655 bps for the fourth quarter of 2018 on a gross return basis.

The strongest sector for the quarter ended December was General Retailers as a positive GDP print combined with anticipated festive period trading benefited clothing retailers led by MRP and Woolworths. Consumer Goods, largely weighted by Richemont and British American Tobacco, was the weakest sector. British American Tobacco is reeling following the USA's proposed legislation ban on menthol cigarettes.

Globally, market volatility and uncertainty remain elevated. Geopolitical and systematic risk has continued to drive markets and investor outlook. Speculation on a potential change in the Fed's 2019 rate hike cycle following dovish comments from the Fed Chair Jerome Powell has been beneficial for markets. However, US president Trump's comments against Fed policy created uncertainty with regards to Powell's future. The global trade war narrative has continued to plague the headlines resulting in volatile price action in global markets. In the UK, Theresa May cancelled parliament's vote on her Brexit withdrawal deal, as the deal still lacked support. She also survived a no confidence vote from members of her party. She will now focus on trying to get concessions from the EU that will make the withdrawal deal more attractive to UK politicians. The vote on the deal is now expected in January. Emerging market economies have been at the mercy of global events and thus have been under pressure as a result.

Locally, while most of the focus was on global events and news, there were several important local announcements that took place. Firstly, it was announced that South Africa is now out of a technical recession, following a very strong Q3 GDP print. On the same day parliament voted to amend the constitution to allow for land expropriation without compensation. Local politics has not helped with infighting and party politicking in full force ahead of the May national elections. SOE high levels of debt and government fiscus concerns are still on-going and remain a key issue for government expenditure for the year. Eskom resumed power cuts in a bid to catch up on its maintenance schedules. President Ramaphosa's attitude to "doing things right" has resulted in some leadership changes, however markets were concerned regarding his soft stance in managing party politics. The run up to the national elections in May 2019 remains a key concern for rating agencies as well as investment sentiment. This coupled with South Africa's lack of fiscal options may weigh on investment in the short term.

Looking forward, the optimistic growth expectations set for the local economy seem to be disappointing with hope residing on an increasingly slower global growth outlook. Real actions have been taken, but more certainty in policies and leadership 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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**PRESCIENT**  
MANAGEMENT COMPANY

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