

Aeon Smart Multi-Factor Equity Fund

Fund information as at 30 September 2019

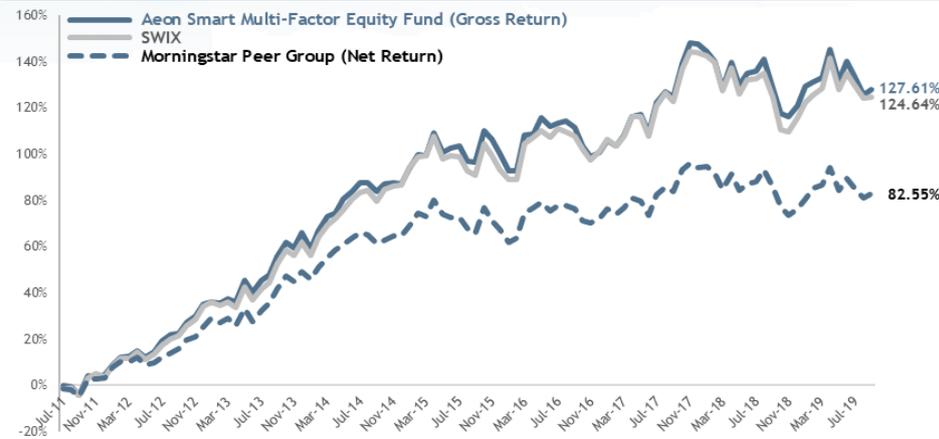
Fund name has changed from Aeon Enhanced Equity Fund to Aeon Smart Multi-Factor Equity Fund



aeon
investment management
long term wealth creation

Fund Performance

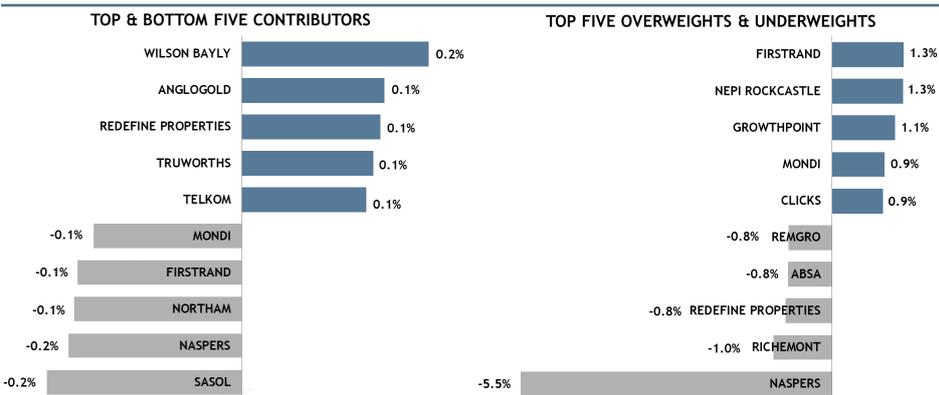
Cumulative Performance - since inception - Gross Return



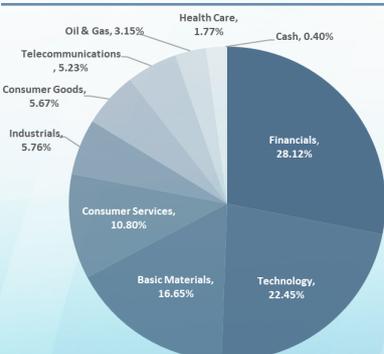
Monthly - Gross Return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014 Fund	-4.34%	5.23%	3.65%	0.82%	3.35%	1.90%	1.95%	0.14%	-2.13%	1.92%	0.07%	-0.20%	12.68%
2014 Benchmark	-3.34%	4.90%	3.33%	1.52%	2.28%	2.76%	1.36%	0.61%	-2.43%	2.83%	0.62%	0.28%	15.42%
2015 Fund	3.54%	3.25%	-0.28%	5.03%	-4.03%	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%	-4.56%	-0.69%	2.08%	-10.81%
2018 Benchmark	-0.68%	-1.18%	-5.00%	4.29%	-4.73%	2.74%	0.10%	1.15%	-4.54%	-6.12%	-0.61%	2.90%	-11.67%
2019 Fund	3.95%	0.71%	0.81%	5.26%	-5.53%	3.63%	-2.73%	-3.41%	0.99%				3.18%
2019 Benchmark	3.09%	1.57%	1.25%	5.72%	-5.64%	3.12%	-2.21%	-2.50%	0.37%				4.34%

Performance Summary - Gross Return	Fund	Benchmark	Active Return
1 month	0.99%	0.37%	0.62%
3 months	-5.12%	-4.31%	-0.81%
6 months	-2.23%	-1.57%	-0.66%
Year to date	3.18%	4.34%	-1.16%
1 Year	-0.16%	0.19%	-0.35%
3 Years (annualised)	2.49%	2.64%	-0.15%
5 Years (annualised)	4.40%	4.57%	-0.17%
7 Years (annualised)	9.26%	9.17%	0.09%
Since Inception (cumulative)	127.61%	124.64%	2.97%
Since Inception (annualised)	10.48%	10.31%	0.18%

Fund Holdings (for the quarter as at 30 September 2019)



Sector Allocation



Top Ten Holdings (%)

Naspers	15.74
Prosus	6.71
Firstrand	4.46
Standard Bank	4.24
Anglo American	3.58
MTN	3.50
Sasol	3.15
British American Tobacco	2.80
BHP	2.73
Mondi	2.64

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



Jay Vomacka
Senior Portfolio Manager



Zaid Paruk
Portfolio Manager & Analyst

Fund Information

Benchmark: SWIX

Inception date: 1 July 2011

Fund size: R 151.44 million

Investment horizon: Five years plus

Classification: South African - Equity - General

Asset Allocation: 96.6% Equity and 3.4% 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 Prescient Fund underperformed its benchmark by 81 bps on a gross return basis for the third quarter of 2019 and is outperforming its benchmark by 14 bps over a two-year period.

Overweight positions in Wilson Bayly Holmes and AngloGold were the main positive contributors to return for the third quarter of 2019. An overweight position in Sasol and an underweight position in Naspers were the main detractors. The benchmark equity index was down 4.31% for the third quarter of 2019.

The strongest sector for the quarter ended September was Consumer Goods led by British American Tobacco, AB Inbev and Pioneer Foods as markets benefited from a more positive global macro environment, a Fed rate cut and prospects of better US-China trade relations. Banks was the weakest sector for the quarter, led by Standard Bank, First Rand and ABSA after rating agencies Moody's and Fitch reported a dim credit view on Eskom and South African sovereign debt and outlook. The quarter ended September was negative overall for equity markets due to global tension enhanced by a multitude of domestic events.

Globally, a low interest rate environment and accommodative central bank policies have continued to structurally drive markets. The uncertainty and volatility caused by geopolitical instability has continued to impede market returns. US-China trade concerns remain firmly in investor minds amid a slowing Chinese economy and increases in trade tariffs by both countries. Talks between the US, China, EU and others are ongoing, however, sentiment was somewhat hindered by the ongoing protests in Hong Kong and the drone attacks on a Saudi oil production facility. Investors remain quite agnostic as a complete deal is unlikely to be reached soon. On a more positive note, the Fed announced a second 25bps cut for 2019 and the ECB did not disappoint investors either with their expected stimulus measures, decreasing rates to -0.5% and resuming QE at a monthly pace of €20bn. Importantly, the Fed did highlight that further rate cuts would be unlikely given the strength of the US labour market. A dovish stance from the Fed has generally been supportive of markets, however, comments from Jerome Powell regarding the Fed not continuing to act as an appropriate support to sustain economic expansions have raised doubt in some investor's minds. In the UK, investors are keeping an eye on Boris Johnson's 31 October Brexit deadline, which took a slight knock as the UK supreme court ruled against Johnson's suspension of parliament. Emerging market economies have been shaped by these global events.

Locally, the domestic environment was unfavourable due to the state of the local economy. Sentiment has turned more negative as continuous political infighting, severe economic growth obstacles, highly indebted parastatals and a potential downgrade remain apparent. Looming government regulation such as the land expropriation bill, debt relief bill and NHI bill heightened investor concerns. This led to an exodus of foreign capital, which is of concern. South Africa's lack of fiscal options may weigh on investment in the short term with little room for the government to manoeuvre. One positive has been Finance minister Tito Mboweni's economic plan which was well received by business.

In company news, all eyes were firmly on the corporate action which saw Naspers separately list its international assets (including Tencent, Delivery Hero, OLX and Mail.ru) on Wednesday 11 September into a new company, Prosus. This is one of the largest corporate actions of its kind in the world, with far-reaching effects for both local and global investors. Prosus is Europe's largest internet consumer company and the addition to Amsterdam's Euronext makes it the third largest company on the exchange. The significance of this is that many passive investors and index trackers may be forced to purchase Prosus or increase their allocation to the company which could result in a narrowing of the discount to the underlying investee companies.

Looking forward, growth expectations set for the local economy seem to reside on global growth and renewed efforts by the newly elected officials. Globally, inflation and GDP growth will be key to try gauge the timing and level of monetary policies. Potential capital controls imposed by the US on Chinese companies could dampen global sentiment, however, we have seen opportunities surface, albeit with good reasons and will monitor each individual investment case on independent merit. Astute stock picking with our Growth at Reasonable Price (GARP) philosophy that delivers superior value through the cycle and a focus on companies whose cash flows support earnings should stand us in good stead moving forward.

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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