Aeon Balanced Fund

Product Profile

aeon investment management
long term wealth creation

Fund Description

Aeon Investment Management's investment style is that of Growth At a Reasonable Price (GARP). Our adaptation of the GARP style seeks to combine the best of growth and value investing, by buying companies with long term sustainable growth rates greater than that implied by the company's market valuation.

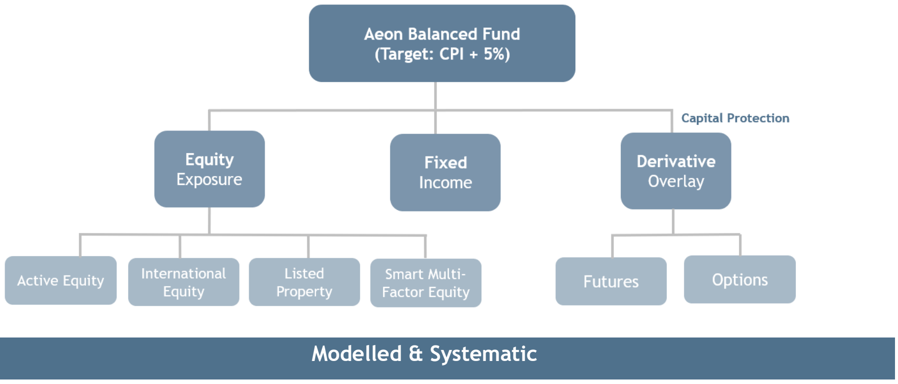
Investors should consider the Aeon Balanced Fund where they have a long term horizon (3 years or longer), and are looking for capital growth with foreign equity exposure.

Investment Philosophy

The Aeon Balanced Fund provides clients with a 90% downside capital protection and attempt to remove emotions of investing. It utilizes a systematic return modelling process and a disciplined investment methodology. The balanced fund strategy recognizes that equities have more upside potential than fixed income and over the long term, equities have proved to be a superior inflation hedge. There is also increasing long term uncertainty of bond risk given global monetary and fiscal expansion.

Equity stock universe long positions are based on Growth At Reasonable Price. Significant inefficiencies can occur in equity valuations due to market participants having excessive optimism or pessimism regarding the outlook for the market or individual companies. The over allocation of capital to a certain investment style (growth or value) can also lead to inefficiencies in the market price of securities. We look to capitalize on these inefficiencies by buying companies with long term sustainable growth rates greater than that implied by the company's market valuation.

Our focus on long term sustainable growth rates make us long term investors in the business.



Risk Management & Return Modelling

The portfolio is structured with overweight and underweight positions relative to the benchmark, which is dependent on the gap between the implied and sustainable growth rates. A real time model monitors the portfolio positions, and the effect of the sector and stock selection decisions on the performance relative to benchmark. The risk management framework encourages diversification and reduces the risk of significantly underperforming the benchmark. Portfolio returns are modelled in a range of market scenarios to ensure maximum possible upside is captured while maintaining downside protection.

Investment Objective

The Aeon Balanced Fund strategy 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

Investment Process

We combine our implied growth methodology and GARP style to invest in undervalued companies, regardless of whether they are classified as 'growth' or 'value'.

Our process consists of five key elements:

1. Calculation of the earnings growth rate implied by the current market valuation of the company.
2. Fundamental analysis and modelling of key drivers in order to determine whether the long term sustainable growth rate is attractive relative to the implied growth rate.
3. Use fundamentally and technically based Aeon Systematic Model (Value factors such as PE, Growth factors such as EPS, technical factors such as Relative Strength Index and assumption of mean reversion) to improve stock selection and use technical analysis to improve stock timing.
4. Risk based exposure protection using derivatives to protect capital value.
5. Construction of the portfolio in a risk managed framework.

Strategy Benefits

Growth at Reasonable Price investing seeks to combine the best of growth and value investing, by buying companies with long term sustainable growth rates greater than that implied by the company's market valuation. In addition, technical analysis is used to improve trade executions. A consistent implementation of our philosophy will lead to outperformance of the benchmark (CPI +5%) regardless of the dominant investment style.

Fees

Institutional clients have the option of a flat fee or performance fee structure. Minimum investment – R100 million.

- Flat Fee : 50 basis points per annum
- A base fee of 35 basis points, plus 20% outperformance capped at 80 basis points over a rolling 3 three year period.

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

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32 years experience

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