

Aeon Smart Multi-Factor Equity Fund

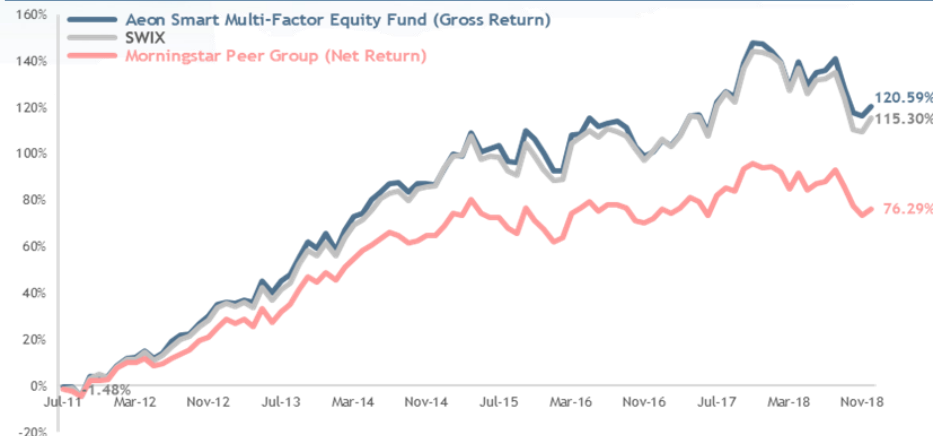
Fund information as at 31 December 2018

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



Fund Performance

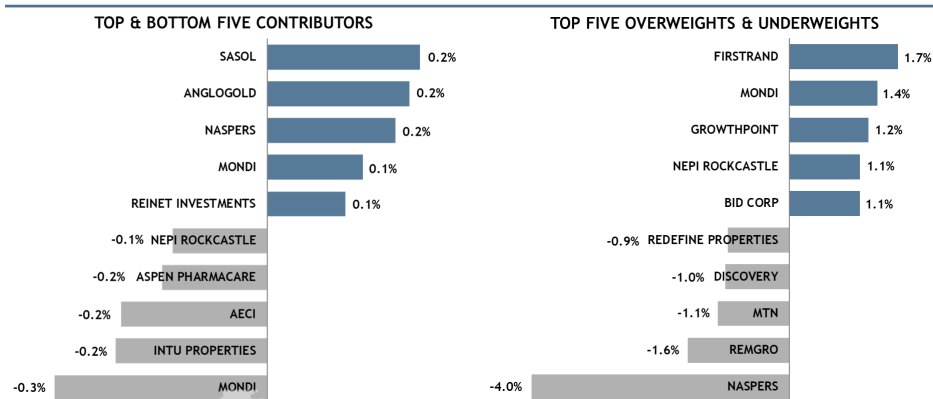
Cumulative Performance - since inception - Gross Return



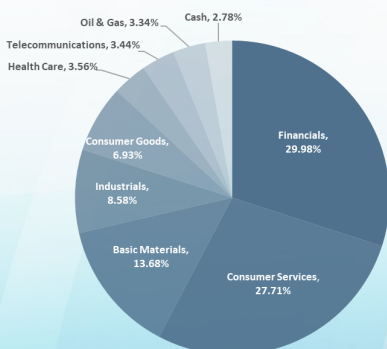
Monthly - Gross Return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013 Fund	0.68%	-0.38%	1.25%	-0.81%	6.69%	-3.39%	3.58%	1.77%	5.10%	4.16%	-1.60%	4.13%	22.78%
2013 Benchmark	1.51%	-1.11%	1.22%	-1.68%	6.70%	-3.99%	3.26%	2.03%	5.57%	4.14%	-1.60%	3.50%	20.71%
2014 Fund	-4.34%	5.23%	3.65%	0.82%	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%	-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%

Performance Summary - Gross Return	Fund	Benchmark	Active Return
1 month	2.08%	2.90%	-0.82%
3 months	-3.24%	-3.98%	0.74%
6 months	-6.03%	-7.19%	1.16%
Year to date	-10.81%	-11.67%	0.86%
1 Year	-10.81%	-11.67%	0.86%
3 Years (annualised)	3.28%	3.69%	-0.41%
5 Years (annualised)	5.88%	5.92%	-0.04%
7 Years (annualised)	11.29%	11.01%	0.28%
Since Inception (cumulative)	120.59%	115.30%	5.29%
Since Inception (annualised)	11.12%	10.77%	0.36%

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



Sector Allocation



Top Ten Holdings (%)

Naspers	18.11
Firststrand	5.31
Standard Bank	4.12
Sasol	3.34
Anglo American	2.75
Bid Corporation	2.60
Sanlam	2.43
Growthpoint Properties	2.38
BTI	2.13
MR Price	2.07

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
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Portfolio Manager
CFA, MSc(Eng)(Ind)(Elec), CFTe

Fund Information

Benchmark: SWIX
Inception date: 1 July 2011
Fund size: R 77.62 million
Investment horizon: Five years plus
Classification: South African - Equity - General
Asset Allocation: 99% Equity and 1% Cash

Risk Profile

- 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.

Aeon Smart Multi-Factor Equity Fund

Fund information as at 31 December 2018

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 Review & Market Commentary

The Aeon Smart Multi-Factor Equity Fund outperformed its benchmark by 74 bps for the fourth quarter of 2018 and is outperforming its benchmark by 86 bps over a one-year period on a gross return basis.

An underweight position in Sasol and an overweight position in AngloGold were the main positive contributors to return for the quarter. Overweight positions in Mondi and Intu Properties were the main detractors. The benchmark equity index was down 3.98% for the fourth quarter of 2018.

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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The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

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