



# Aeon Active Equity Fund

## Investment Philosophy

Aeon Investment Management's equity 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.

## Investment Objective

The Aeon Active Equity Fund seeks to achieve:

- Invest in high quality businesses at attractive prices that are positioned for long term growth.
- Outperform the client's equity benchmark over different investment cycles.
- Consistently apply our implied growth methodology.
- Manage risk through disciplined portfolio construction.
- Employ low cost trading techniques.

## Investment Team

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*Aeon Investment Management is a Level-1 BBBEE Contributor.*

## Fund Details

Benchmark: SWIX Index  
Inception date: 1 November 2007  
Fund size: R 5 346.30 million  
Risk profile: High  
Investment horizon: Five years plus

## Fees & Charges

Flat Fee:  
0.5% p.a. plus VAT.

Performance Fee:  
Base Management Fee: Base Fee: 0.35% p.a. plus VAT  
Perf. Fee: 20% plus VAT of outperformance capped at 80 bps

## Administration

Fund trustees & custodians: Standard Bank  
Fund bankers: Standard Bank  
Fund administration: Prescient Management Company Limited

## Contact Details

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*Aeon Investment Management (Pty) Ltd. Is an authorised FSP.  
FSP Number: 27126*

## Performance Review & Market Commentary

The Aeon Active Equity Fund outperformed its benchmark by 249 bps for the first quarter of 2017 and is outperforming its benchmark by 152 bps annualised over a five-year period.

Overweight positions in Mondi and British American Tobacco were the main positive contributors to return for the quarter. Overweight positions in RMB Holdings and Supergroup were the main detractors. The benchmark equity index was up 3.30% for the first quarter of 2017.

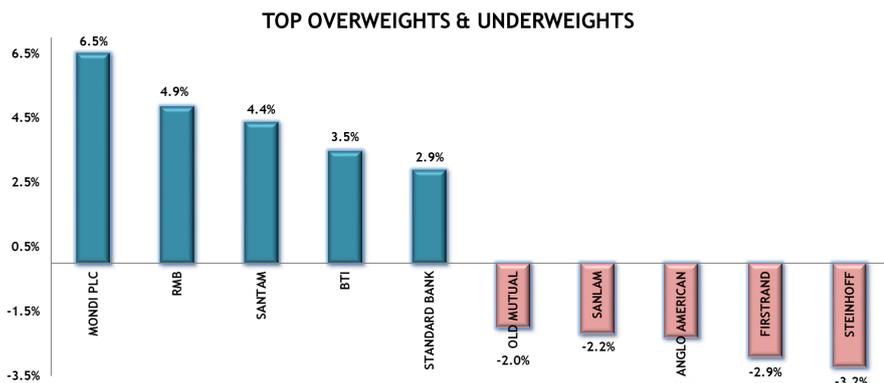
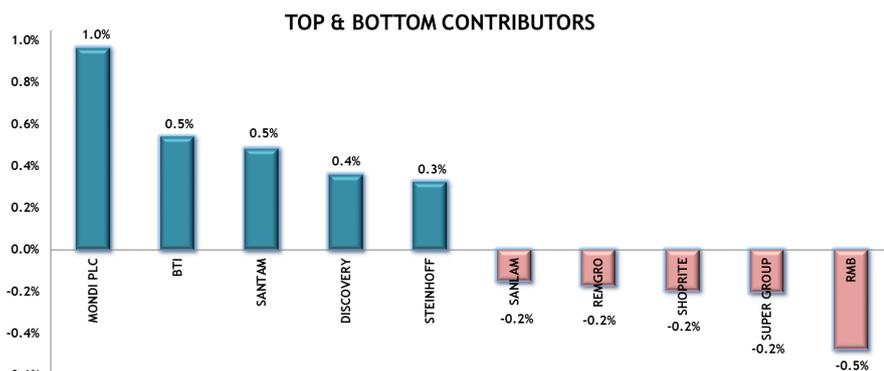
The strongest sector for first quarter of 2017 was the Consumer Services Sector with many retail counters showing continuous gains as there is renewed optimism about increased levels of consumer spending. The Banking Sector was the weakest due to recent sentiment.

Globally, the two areas of focus are the rate of hikes in the US by the FOMC and the various Donald Trump news flows. January and February saw the S&P500 continuously making new highs due to the expectations of business-friendly policies such as a decrease in taxes and loosening of regulations, and expected increased infrastructure spending from the Trump administration. This was somewhat tempered in March as it seems he may be unable to deliver some of these promises highlighted by the fact he could not convince the Republican party to remove the previous administration's Affordable Care Act (Obamacare). This caused markets worldwide to take a breather, the Dollar to weaken, and the expectations of future US growth to decrease.

Locally, there is only one headline that requires attention. It started with rumours of a cabinet reshuffle, was aggravated by the surprise recall of finance minister, Pravin Gordhan, from an international roadshow, flared up post an emergency press conference from the SACP, and finally climaxed with Jacob Zuma's removal of nearly a third of his ministers, including Minister Gordhan and deputy Finance Minister Mcebisi Jonas. Former Minister of Home Affairs, Malusi Gigaba, has been appointed as the new Minister of Finance. As a result, the Rand has weakened considerably whilst financial stocks have lost billions in market cap due to perceptions of increased inflation and increased chances of increasing interest rate funding costs. The ratings agencies have already downgraded South Africa. This will have the effect of increasing borrowing costs.

The cautious and prudent view would be that high volatility will remain, with more risks to the downside for equities and bonds. Gold and quality gold companies in a well-diversified portfolio may provide "insurance" in a more unpredictable environment.

## Fund Composition for the 1st Quarter 2017



Active Equity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010 Fund	-1.79%	0.39%	6.93%	0.18%	-4.74%	-2.43%	8.14%	-2.91%	8.34%	1.93%	-0.39%	6.41%	20.64%
Benchmark	-2.62%	1.01%	6.92%	0.58%	-4.44%	-3.28%	8.38%	-3.02%	8.77%	2.35%	-0.74%	6.42%	20.86%
2011 Fund	-3.18%	2.19%	1.35%	2.32%	-0.76%	-1.92%	-1.51%	0.01%	-3.25%	7.70%	1.78%	-1.10%	3.18%
Benchmark	-3.29%	2.01%	1.77%	2.59%	-0.80%	-1.53%	-1.48%	0.48%	-3.32%	7.66%	1.96%	-1.38%	4.26%
2012 Fund	4.31%	3.17%	-0.42%	2.70%	-2.39%	1.56%	3.10%	2.72%	1.66%	2.85%	1.54%	3.54%	27.16%
Benchmark	4.53%	2.81%	0.02%	2.72%	-3.11%	2.22%	3.19%	2.71%	1.20%	3.39%	2.14%	4.33%	29.09%
2013 Fund	3.09%	-0.69%	2.48%	-2.45%	7.68%	-3.62%	4.19%	2.98%	5.32%	4.10%	-1.74%	4.43%	28.23%
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	-3.25%	5.33%	2.79%	0.82%	3.42%	2.06%	1.43%	0.93%	-2.68%	2.31%	-0.56%	0.54%	13.48%
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	3.60%	2.98%	1.00%	4.03%	-3.17%	0.28%	0.44%	-2.80%	-0.28%	7.42%	-3.06%	-2.91%	7.14%
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	-3.27%	0.13%	7.36%	1.00%	0.93%	-1.06%	1.86%	0.36%	-0.95%	-3.37%	-1.68%	0.96%	1.86%
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	3.01%	-1.47%	4.24%										5.79%
Benchmark	2.57%	-1.49%	2.24%										3.30%

