INVESTMENT MANAGEMENT
long term wealth creation

NEWSLETTER

VOL. 2

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Dear Valued Stakeholders,

The first half of 2026 was marked by significant market volatility. Geopolitical tensions between the US and Iran drove sharp oil price movements, raising inflation risks and shifting monetary policy expectations. On the JSE, this created clear sector divergence, while global equities found support in a sustained AI-driven technology rally. Our Growth at a Reasonable Price (GARP) philosophy continued to guide how we allocate capital and build portfolios. The Capitec research piece from Shaakir Salie, our Head of Research, later in this newsletter is a good example of the fundamental work underpinning our process.

Zikhona Monkqoyana promoted to Client Relationship Manager (CRM)

August is Women's Month, a time to recognise the leadership and contributions of women across our industry and beyond. With that in mind, we are proud to announce Zikhona Monkqoyana's promotion to Client Relationship Manager (CRM). Zikhona's dedication to client service and ability to build strong, lasting relationships speak for themselves.

Investment Research: Capitec and the Competitive Advantage Period

Our Head of Research, Shaakir Salie, applies Michael Mauboussin's Competitive Advantage framework to examine how Capitec continues to outperform traditional valuation models through platform monetisation, ecosystem growth, and expansion into business banking.

Stewardship Report

Our latest Stewardship report covers our active ownership activities, proxy voting record, and ESG engagements over the H1 2026 period. We encourage you to read the full report for a closer look at how we approach our stewardship activities.

Strenghtening our ESG capabilities

We are pleased to welcome Bilqees Stoffberg and Malesetja Teffo to our ESG team. Their addition strengthens our ability to integrate sustainability considerations into our investment process.

Thank you for your continued partnership. We look forward to updating you on the second half of the year.

Yours Sincerely,

Asief Mohamed

Chief Executive Officer & Portfolio Manager

“Our Growth at a Reasonable Price (GARP) philosophy continued to guide how we allocate capital and build portfolios.”

10 Questions with Zikhona Monkqoyana, Client Relationship Manager (CRM)

1. What was your very first "I am officially an adult" moment?

My first real "I'm officially an adult" moment was when I left home for university. For the first time, there was no one reminding me what time to wake up, where I needed to be, or what I needed to get done. I had to manage my own time, make my own decisions, and hold myself accountable, my first real lesson in discipline and independence.

2. If your work personality had a tagline or slogan, what would it be?

Keep a positive mindset, take ownership, and get things done.

3. What is one habit you had to unlearn the moment you transitioned into the full-time corporate life?

One of the things I had to unlearn was feeling like I needed to have all the answers before speaking up. Early in my career, I sometimes felt like I needed to fully understand something before sharing my thoughts or asking a question. I've learnt that its often more valuable to communicate what you do know, ask questions, and contribute. Sometimes the conversation itself is how you learn.

4. What is one thing you have learned about building strong relationships?

I've learnt that people remember how you make them feel, and that trust is built through consistency over time.

5. If you could go back to your first week in the corporate world, what advice would you give yourself?

I would tell myself that your network is your wealth. Build genuine relationships, not just contacts. You never know where your career will take you or who you will cross paths with you again. The relationships you build along the way can be just as valuable as the experience you gain.

6. What is one soft skill you did not value in university that turned out to be critical in your daily life?

It is definitely emotional intelligence. I don't think I fully appreciated how important it would become in the workplace. Working with different personalities, knowing when to listen, knowing when to speak and how to approach different situations. It's a skill I practice everyday.

7. What does your ideal 'unplugged' weekend look like after an intense work week?

My ideal unplugged weekend is a mix of quality time with family, being outdoors, and enjoying good food and good company. I enjoy outdoor activities, and I love taking time to appreciate nature and simply being present. For me, it's about slowing down, spending time with the people I care about, and doing things that recharge me.

8. What keeps you grounded outside of work?

My journey keeps me grounded. I often remind myself of where I started, and how far I've come. It helps me appreciate today while staying open to learning and growing.

9. If you could give one piece of advice to a young woman in her final year of high school or university, what would it be?

Give yourself permission to figure things out as you go. You don't need to have your whole life mapped out now. Try things, meet people, make mistakes, enjoy the journey and, put in the work.

10. What is your single most controversial food take or desk-snack?

Popcorn. It isn't a snack, it's a high-stakes balance where every handful must contain exactly three sweet pieces for every five salty ones, or my entire afternoon is ruined.

> **"Your network is your wealth."**

Zikhona Monkqoyana
Client Relationship Manager (CRM)

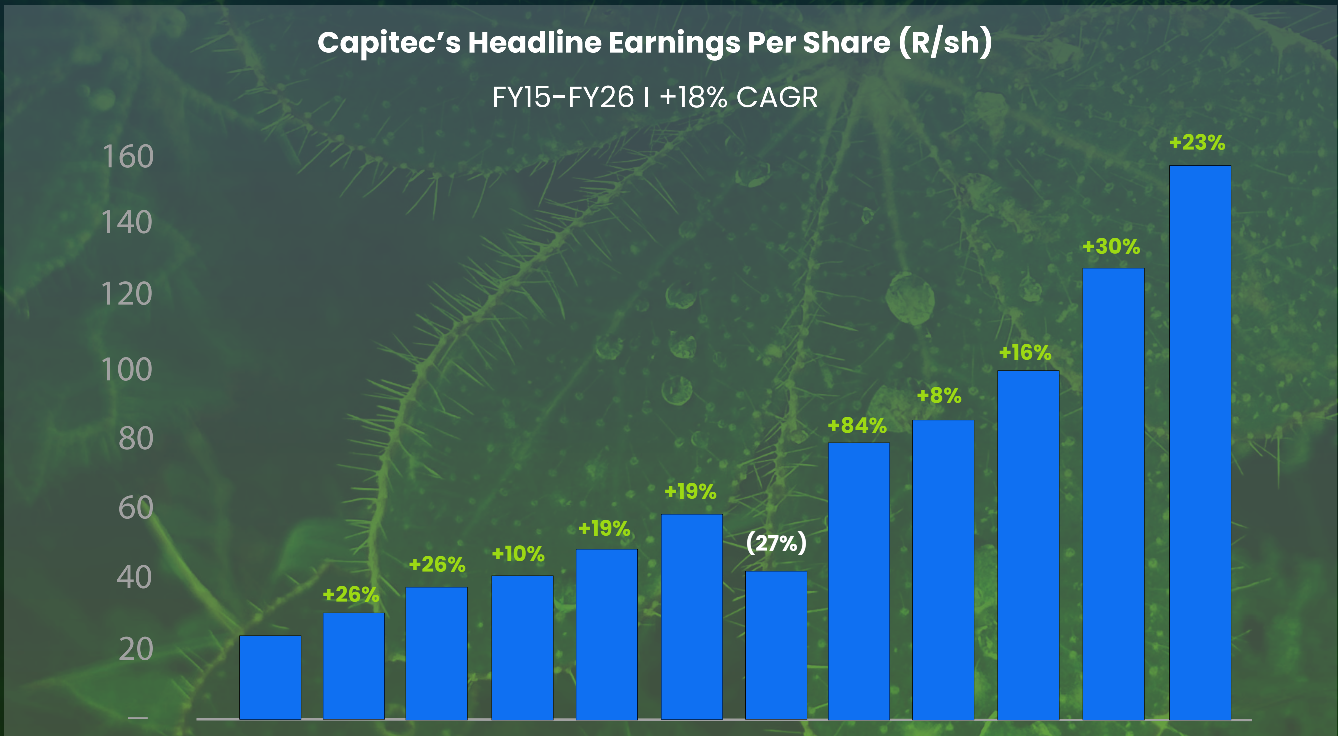
Capitec's Answer to the Question, "How Long?"

By Shaakir Salie, CFA (Head of Research)

Ask an investor what drives a company's valuation, and you will hear about growth rates, margins, and returns on capital. Rarely will the answer focus on how long those returns can persist. Michael Mauboussin revisited this question in his recent paper, "The Competitive Advantage Period: The Neglected Value Driver". With Capitec having recently reported stellar results, the timing felt right to explore why a stock that has looked expensive for a decade keeps proving the sceptics wrong.

The Competitive Advantage Period (CAP) is the length of time a company can earn returns above its cost of capital on new investments. It is the "how long" question that most investment frameworks handle rather clumsily. As Mauboussin notes, practitioners commonly rely on earnings multiples, which obscure the contributions of growth, ROIC, and CAP – or they build DCF models with standardised terminal value assumptions that account for the vast majority of the valuation.

Whether one used a dividend discount model, residual income approach or any other valuation framework, a valuation 10 years ago would have almost certainly understated Capitec's value. Analysts typically default to 5 or 10 years of explicit forecasts, leaving the remaining value dependent on a single terminal growth rate assumption – and in South Africa, we may have found it difficult to justify a terminal growth rate well above our expectations of long-term nominal GDP growth. Thus, even if you correctly predicted Capitec's consistent double-digit earnings growth, your valuation still might not have left enough upside for you to want to own the stock.



Source: Bloomberg, Capitec Financials

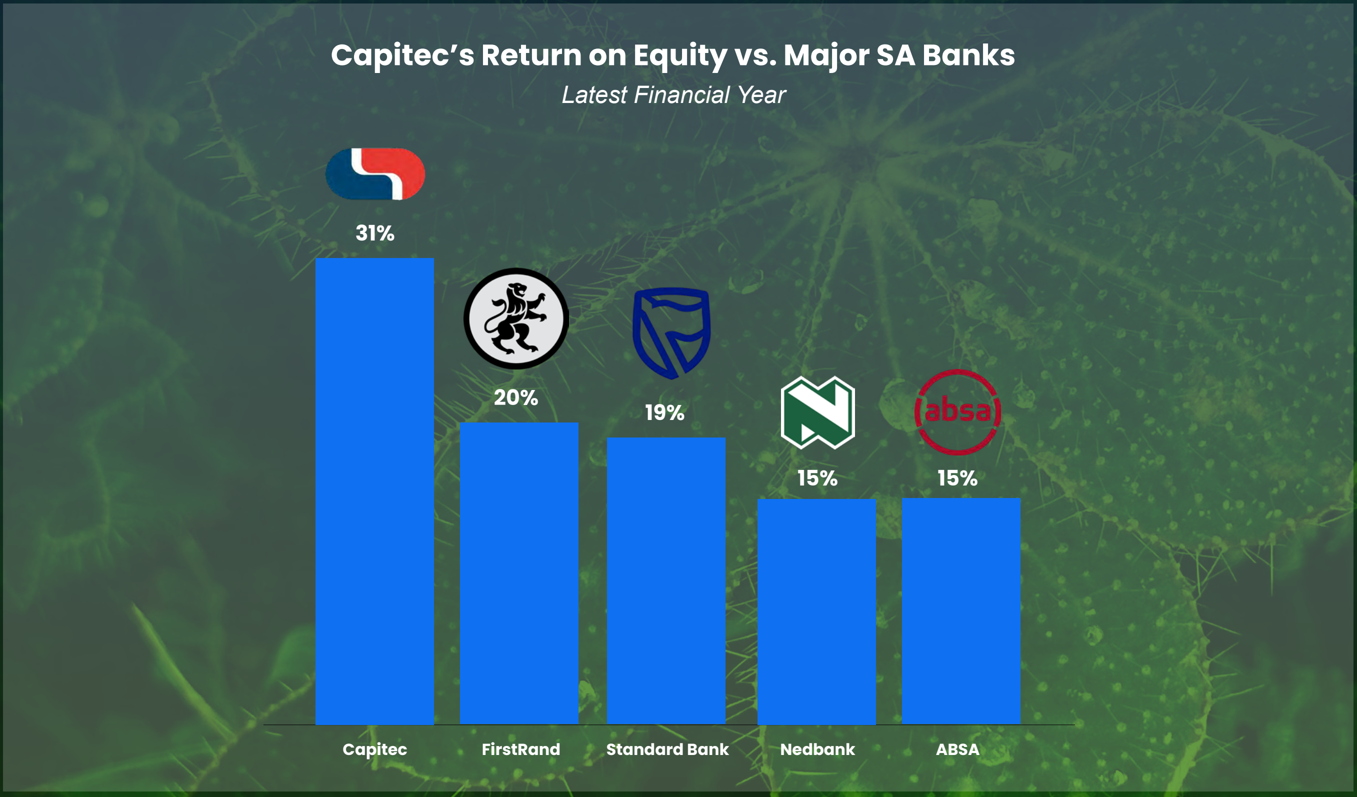
In Mauboussin's book, Expectations Investing, he refers to Price-Implied Expectations Analysis – the process of reverse-engineering a valuation model to gauge the market's perception of the company's future performance. Aeon Investment Management's investment philosophy is built on the same principle – that the question, "What's priced in?" is most important. Expectations Investing provides a practical method to answering both this question and the "how long?" question.

Today, this approach suggests that the answer to the "How Long?" question is 10 years at 18% EPS growth. Coincidentally, Capitec delivered the same EPS growth over the last 10 years.

So, is it plausible to sustain that same growth rate for the next decade? While Bloomberg Consensus estimates suggest this is plausible for the next 3 years, far fewer investors would stomach extrapolating this out to 2036.

The Bull Case – Platform Monetization & New Ventures

Capitec has grown to a customer base of 25 million clients, with nearly 70% of income coming from non-interest activities. The ecosystem is expanding rapidly: Value-added Services increased 34% in Financial Year 2026, now including Cross-Border Money Transfers in 26 countries, while Capitec Connect added over 500 thousand new active clients. As their platform continues to add value beyond banking, the runway for excess returns extends. Their competitive advantage is most evident in their 30%+ ROE, twice that of ABSA and Nedbank, and roughly 10 percentage points higher than Standard Bank and FirstRand – despite hoarding enormous amounts of lazy capital. Having banked the unbanked, Capitec is now moving upmarket. Strong inroads in Business Banking and a recent partnership with Wise suggest Capitec's ambitions now extend into segments where legacy players have long held the advantage.



Investors who have underestimated Capitec's valuation over the years may not have been wrong about near-term earnings, but may have underestimated how long Capitec could sustain its growth. Companies that can sustain excess returns for longer than the market expects will always appear expensive on conventional metrics. So the next time a stock looks overpriced on a simple multiple, it might be worth asking a different question, not "what does the business earn today?", but "how long can it keep earning it?"

We are pleased to publish our H1 2026 Stewardship Report, highlighting our active ownership initiatives, engagement outcomes, and proxy voting activities over the first half of the year.

Our latest Stewardship Report covers our active ownership activities, proxy voting record, and ESG engagements over the period. We encourage you to read the full report for a closer look at how we approach our stewardship responsibilities.

Welcome to our ESG Analysts

We are thrilled to welcome our two new ESG Analysts, Bilqees Stoffberg and Malesetja Teffo. Their roles in advancing our sustainability research and active stewardship are key to driving long-term value for our clients.

Bilqees Stoffberg
ESG Analyst

Malesetja Teffo
ESG Analyst

To foster collaboration and unwind after a busy dynamic quarter, the Aeon team headed to Hout Bay for a memorable day of team building. The day kicked off at Clay Café, where team members were split into groups and challenged to bring a unique creative theme to life through ceramic painting. The friendly competition brought out everyone's artistic flair, sparking plenty of laughter, problem-solving, and cross-departmental connection. Afterwards, the team gathered for a relaxed coastal lunch overlooking the harbour, enjoying good food and great company. It was a wonderful opportunity to celebrate our shared culture, strengthen relationships beyond the office, and return refreshed and aligned as one team.

OUR JOURNEY
21 YEARS OF GROWTH

See Beyond Tomorrow. Invest in Growth Today.

aeon INVESTMENT MANAGEMENT
long term wealth creation

2005
Inception as hedge fund
AUM: R100m

2008
Launch of Aeon Active Equity Fund, started managing
AUM: R100m

2011
Launch of Aeon Smart Multi-Factor Equity Prescient Fund
AUM: R948m

2012
Launch of Aeon Balanced Prescient Fund (Global)
AUM: R996m

2014
Became a UNPRI signatory
AUM: R2bn

2017
Won two Raging Bull Awards for our Aeon Balanced Prescient Fund
AUM: R6bn

2018
Launch of Aeon Balanced Fund (Domestic)
AUM: R10bn

2019
Launch of CIS fund for Aeon Active Equity Prescient Fund
AUM: R12bn

2021
Won a Citywire Award for our Aeon Balanced Prescient Fund.
Won an ABSIP Award - Best ESG Manager
AUM: R20bn

2022
Won a 27four ESG Award - Sustainable Asset Manager
AUM: R20bn

2026
AUM: R30bn
(as at 30 June 2026)

Website

LinkedIn

Signatory of:
PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

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Past Performance is not indicative of future results.

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