

# KZN AGGRESSIVE FUND

SEPTEMBER 2021

The KZN Aggressive Fund is an aggressive fund that aims to maximise investment returns over the longer term. The fund maintains a high exposure to growth assets, such as local and foreign equities and gains additional exposure to growth assets via investments in local property and private equity. The fund's asset allocation is fixed and the fund makes use of specialist asset managers to select the most attractive securities to invest in within each asset class.

Due to its high allocation to growth assets, the fund has a high chance of capital loss in the short term, but is expected to achieve real growth of capital over the long-term. As a result, the fund is best suited to members who have a longer term (7 years or more) investment horizon.

The portfolio complies with the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

## MONTHLY COMMENTARY

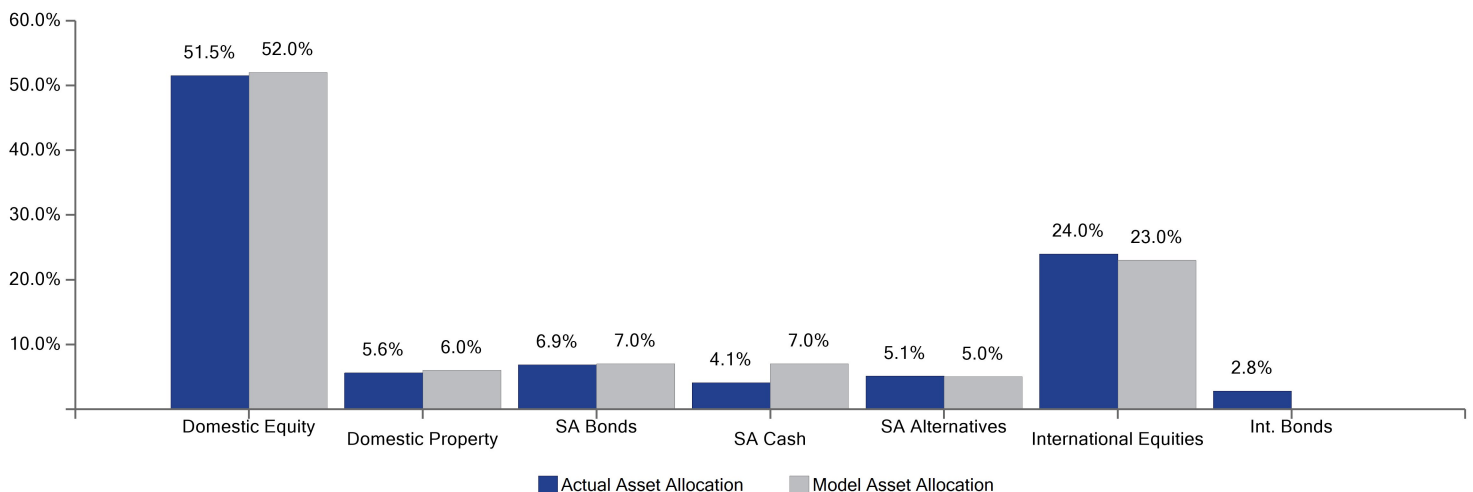
The vaccination campaign in emerging markets has accelerated whereas in developed markets, they've decelerated. And while the spike in cases in highly vaccinated countries such as Israel and the UK shows that complete immunity is unlikely, hospital utilisation rates continue to fall. Political pressure to maintain lockdowns will reduce and economies will remain open, as long as everyone who wants a vaccine is able to receive it.

New Zealand has eased restrictions everywhere except Auckland. Australia plans to gradually re-open Sydney on a two-tier basis, with more freedom for the vaccinated than the unvaccinated. In Germany, where the fourth wave is underway, most of the country has a 3G rule in place, which means you are allowed entry to places if you are unvaccinated and have a negative Covid test. The Leibniz Institute for Economic Research has recommended that 2G rules, which would exclude unvaccinated people from public settings, would cost less than another lockdown. In the East, China's policy is turning more stimulative with the injection of \$17 Billion into the financial system, the most short-term liquidity in eight months.

Interest rates are likely to start rising in the next year, and as early as the fourth quarter of 2021 in the US. In the UK, interest rates are expected to rise by February next year after the Bank of England signalled growing concern about a rise in inflation. Norway's central bank has already led the way, raising its benchmark interest rate in September from a record low of 0% to 0.25%. The Norwegian monetary policy committee says it is likely the country will see four more hikes by the end of 2022, moving it to a rate of 1.25%.

Locally, South Africa is a case in point, having moved to a reduced level one lockdown in the first week of October, although analysts claim the lockdown change is a strategic move by the ruling party to allow for campaign rallies ahead of the looming local elections. The Monetary Policy Committee chose to hold interest rates at 3.5%, marking the seventh consecutive time the MPC has left rates unchanged with the prime lending rate of commercial banks at a five-decade low of 7%. The FTSE/JSE SWIX Index fell 1.4%, Industrials were down 1.2% and Financials increased by 1.7%. The JSE All Bond Index decreased 2.1%, while the rand depreciated by 4.0% relative to the US dollar.

## ACTUAL ASSET ALLOCATION



### FRONT OFFICE CONTACT DETAILS

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## FUND SUMMARY AS AT 30 SEPTEMBER 2021

| STATISTIC         | FUND   | BENCHMARK |
|-------------------|--------|-----------|
| % Positive Months | 65.0%  | 65.0%     |
| % Negative Months | 35.0%  | 35.0%     |
| Worst Month       | -10.3% | -11.9%    |
| Best Month        | 9.7%   | 11.4%     |
| Average Return    | 0.6%   | 0.7%      |
| Median Return     | 0.9%   | 0.8%      |
| Maximum Drawdown  | -15.5% | -17.8%    |

## PERFORMANCE ANALYSIS TO 30 SEPTEMBER 2021

| PERIOD          | FUND  | BENCHMARK |
|-----------------|-------|-----------|
| 1 Month         | 0.0%  | -1.0%     |
| 3 Months        | 4.0%  | 3.4%      |
| 6 Months        | 6.1%  | 6.2%      |
| Year to Date    | 15.8% | 14.8%     |
| 1 Year          | 24.9% | 24.0%     |
| 3 Years         | 8.3%  | 8.4%      |
| 5 Years         | 7.5%  | 7.7%      |
| Since Inception | 10.8% | 10.9%     |

Inception Date: 31 August 2012. Returns prior to inception are backtested. Returns are net of the TIC.

## FEES

|                               | PERCENTAGE       |
|-------------------------------|------------------|
| Total Expense Ratio (TER)     | 0.48% (Jun 2021) |
| Transaction Costs (TC)        | 0.09% (Jun 2021) |
| Total Investment Charge (TIC) | 0.57% (Jun 2021) |

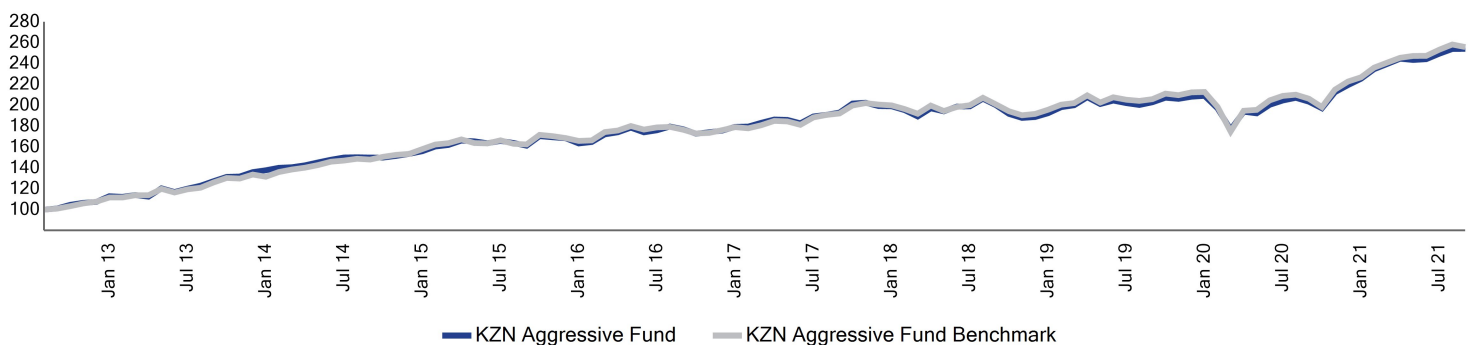
## BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 52% Capped SWIX, 7% ALBI, 6% SAPY, 12% STeFI, 23% MSCI World Index

## HISTORICAL PERFORMANCE

| YEAR | JAN   | FEB   | MAR    | APR  | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   | YEAR  |
|------|-------|-------|--------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2016 | -3.0% | 0.8%  | 4.4%   | 1.2% | 2.5%  | -2.5% | 1.1%  | 2.1%  | -1.4% | -2.4% | 0.8%  | 0.9%  | 4.3%  |
| 2017 | 2.1%  | 0.1%  | 2.0%   | 1.7% | -0.2% | -1.8% | 3.6%  | 0.8%  | 1.1%  | 4.5%  | 0.4%  | -1.6% | 13.4% |
| 2018 | -0.1% | -1.8% | -3.1%  | 4.1% | -1.5% | 2.3%  | 0.1%  | 3.7%  | -3.0% | -4.2% | -2.0% | 0.4%  | -5.3% |
| 2019 | 2.0%  | 3.0%  | 0.9%   | 3.9% | -3.2% | 1.6%  | -1.2% | -0.9% | 1.3%  | 2.1%  | -0.5% | 1.0%  | 10.3% |
| 2020 | 0.4%  | -5.8% | -10.3% | 9.7% | -0.8% | 4.3%  | 2.0%  | 1.2%  | -1.8% | -3.1% | 7.8%  | 3.2%  | 5.3%  |
| 2021 | 2.8%  | 4.1%  | 2.1%   | 2.1% | -0.5% | 0.3%  | 2.1%  | 1.8%  | 0.0%  |       |       |       | 15.8% |

## CUMULATIVE INVESTMENT PERFORMANCE



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## CALENDAR YEAR RETURNS

| PERFORMANCE | FUND  | BENCHMARK |
|-------------|-------|-----------|
| 2016        | 4.3%  | 4.5%      |
| 2017        | 13.4% | 13.9%     |
| 2018        | -5.3% | -4.5%     |
| 2019        | 10.3% | 10.8%     |
| 2020        | 5.3%  | 4.9%      |

## MANAGER ALLOCATION 30 SEPTEMBER 2021

| MANAGER                                      | PERCENTAGE |
|--|------------|
| BlackRock - International Equity             | 19.8%      |
| Argon SA Equity Fund                         | 16.0%      |
| Mergence Equity (Swix) Fund                  | 11.8%      |
| MAZI Capital SA Equity (Swix) Fund           | 7.6%       |
| KZN Satrix SWIX Portfolio                    | 7.4%       |
| Old Mutual - SA Hedge Fund of Funds          | 5.1%       |
| Lima Mbeu Equity Portfolio                   | 4.8%       |
| Coronation - SA Cash                         | 4.1%       |
| Coronation Absolute Bond - SA Bonds          | 3.9%       |
| BlackRock MSCI Emerging Market Equity        | 3.0%       |
| STANLIB Property Income Fund Class B3        | 2.9%       |
| SMMI Positive Return Fund Three B11          | 2.8%       |
| Prudential Core Capped Swix Equity Fund      | 2.7%       |
| Prudential (Int Bond)                        | 2.4%       |
| Coronation - SA Bonds                        | 1.9%       |
| Old Mutual - SA Private Equity               | 1.2%       |
| SPDR? S&P Kensho New Economies Composite ETF | 1.2%       |
| Stanlib Bond Fund                            | 1.2%       |
| P1 Finance PLC (listed bond)                 | 0.4%       |