KZN MODERATE FUND

SEPTEMBER 2021

The KZN Moderate Fund is a 50% / 50% combination of the KZN Managed Fund and KZN Defensive Fund. It is a fund with moderate risk that aims to deliver real growth but with less volatility.

The portfolio is well diversified and invests across all local and foreign asset classes and makes use of good quality balanced asset managers and specialist asset managers within certain asset classes.

Over the longer term returns are expected to be less volatile but at the same time lower than for a typical balanced fund, because of the 50% exposure to the KZN Defensive Fund.

Due to its moderate allocation to growth assets, the fund has a moderate chance of capital loss in the short term, but is expected to achieve real growth of capital over the long-term, albeit lower than that of a typical balanced fund. As a result, the fund is best suited to members who have medium term (3-5 years) investment horizon.

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

MONTHLY COMMENTARY

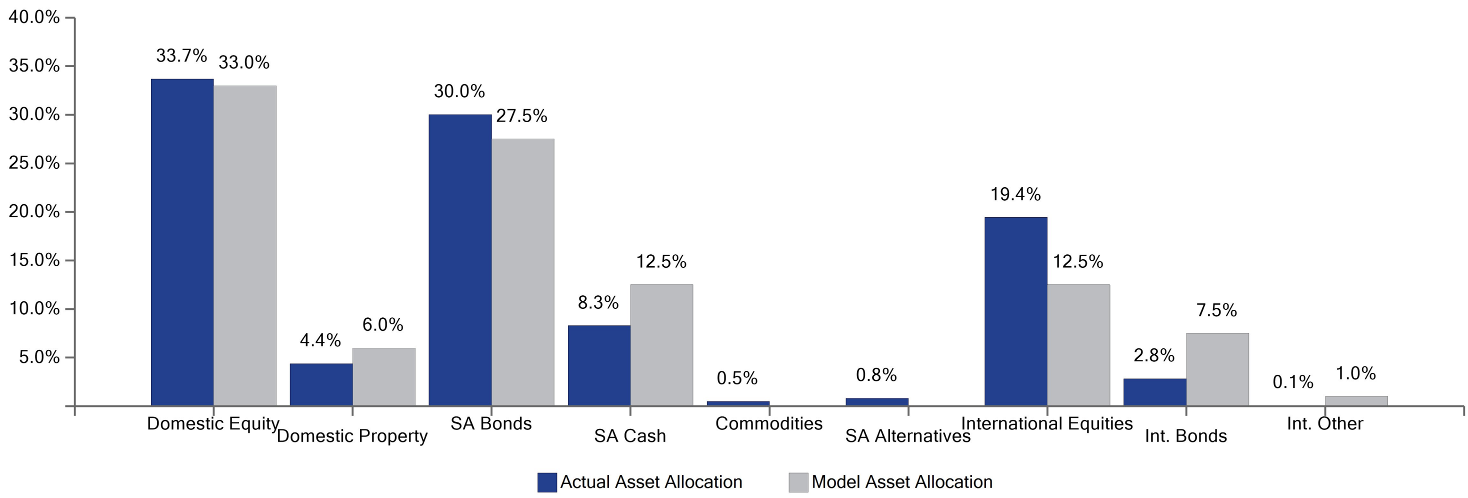
The vaccination campaign in emerging markets has accelerated whereas in developed markets, they've decelerated. And while the spike in cases in highly vaccinated countries such as Israel and the UK shows that complete immunity is unlikely, hospital utilisation rates continue to fall. Political pressure to maintain lock¬downs will reduce and economies will remain open, as long as every¬one 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



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KZN MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 30 SEPTEMBER 2021

STATISTIC	FUND	BENCHMARK
% Positive Months	66.7%	68.3%
% Negative Months	33.3%	31.7%
Worst Month	-9.1%	-8.8%
Best Month	7.8%	8.3%
Average Return	0.6%	0.6%
Median Return	0.8%	1.0%
Maximum Drawdown	-12.4%	-12.3%

PERFORMANCE ANALYSIS TO 30 SEPTEMBER 2021

PERIOD	FUND	BENCHMARK
1 Month	-0.3%	-0.9%
3 Months	3.0%	1.8%
6 Months	5.9%	4.4%
Year to Date	12.1%	9.2%
1 Year	19.7%	15.6%
3 Years	8.5%	8.0%
5 Years	7.6%	7.4%
Since Inception	7.4%	7.4%

Inception Date: 29 May 2015. Returns prior to inception are backtested.
Returns are net of the TIC.

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.58% (Jun 2021)
Transaction Costs (TC)	0.10% (Jun 2021)
Total Investment Charge (TIC)	0.68% (Jun 2021)

CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2016	6.1%	6.0%
2017	11.3%	12.9%
2018	-1.1%	-0.4%
2019	9.6%	10.4%
2020	6.8%	6.4%

MANAGER ALLOCATION 30 SEPTEMBER 2021

MANAGER	PERCENTAGE
Prudential - Global Balanced	12.5%
Ninety One Global Balanced Fund	12.4%
Coronation - Global Balanced	12.4%
Coronation Absolute Bond - SA Bonds	11.7%
Coronation - SA Cash	8.3%
Coronation - SA Bonds	5.6%
Argon SA Equity Fund	5.2%
Prudential (Int Bond)	5.0%
BlackRock - International Equity	4.7%
Mergence Equity (Swix) Fund	3.8%
Stanlib Bond Fund	3.5%
STANLIB Property Income Fund Class B3	2.6%
MAZI Capital SA Equity (Swix) Fund	2.5%
SMMI Positive Return Fund Three B11	2.5%
KZN Satrix SWIX Portfolio	2.4%
Lima Mbeu Equity Portfolio	1.6%
Prudential Core Capped Swix Equity Fund	0.9%
P1 Finance PLC (listed bond)	0.9%
BlackRock MSCI Emerging Market Equity	0.7%
Old Mutual - SA Private Equity	0.3%
SPDR? S&P Kensho New Economies Composite ETF	0.3%
ATA Fund 3	0.3%

BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 33% SWIX, 27.5% ALBI, 6% SAPY, 12.5% STeFI, 12.5% MSCI World Index, 7.5% Barclays Global Bond Index, 1% Global Cash

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2017	1.6%	-0.2%	1.6%	1.8%	0.4%	-1.3%	3.0%	0.8%	1.3%	3.1%	-0.1%	-1.0%	11.3%
2018	0.0%	-0.9%	-1.3%	3.0%	-1.5%	1.6%	0.4%	2.7%	-2.1%	-2.2%	-1.9%	1.3%	-1.1%
2019	1.6%	2.3%	1.2%	2.4%	-2.1%	1.7%	-0.8%	0.2%	1.1%	1.4%	-0.6%	1.1%	9.6%
2020	0.8%	-3.6%	-9.1%	7.8%	1.3%	2.7%	1.7%	0.7%	-1.3%	-1.9%	6.3%	2.4%	6.8%
2021	2.3%	3.1%	0.3%	1.9%	0.3%	0.6%	1.7%	1.6%	-0.3%				12.1%

CUMULATIVE INVESTMENT PERFORMANCE