

KZN DEFENSIVE FUND

OCTOBER 2021

The KZN Defensive Fund is a low risk fund that aims to balance the needs of members that are approaching retirement; to preserve their capital, to maintain exposure to growth assets and maintain the level of income that can be secured at retirement.

The fund is well diversified between asset classes, both locally and internationally, but is managed within conservative parameters. 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 relatively low allocation to growth assets, the fund has a low chance of capital loss in the short term and is expected to achieve moderate real growth of capital over the long-term. The fund is best suited to members who have a short to medium term (1-3 years) investment horizon.

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

MONTHLY COMMENTARY

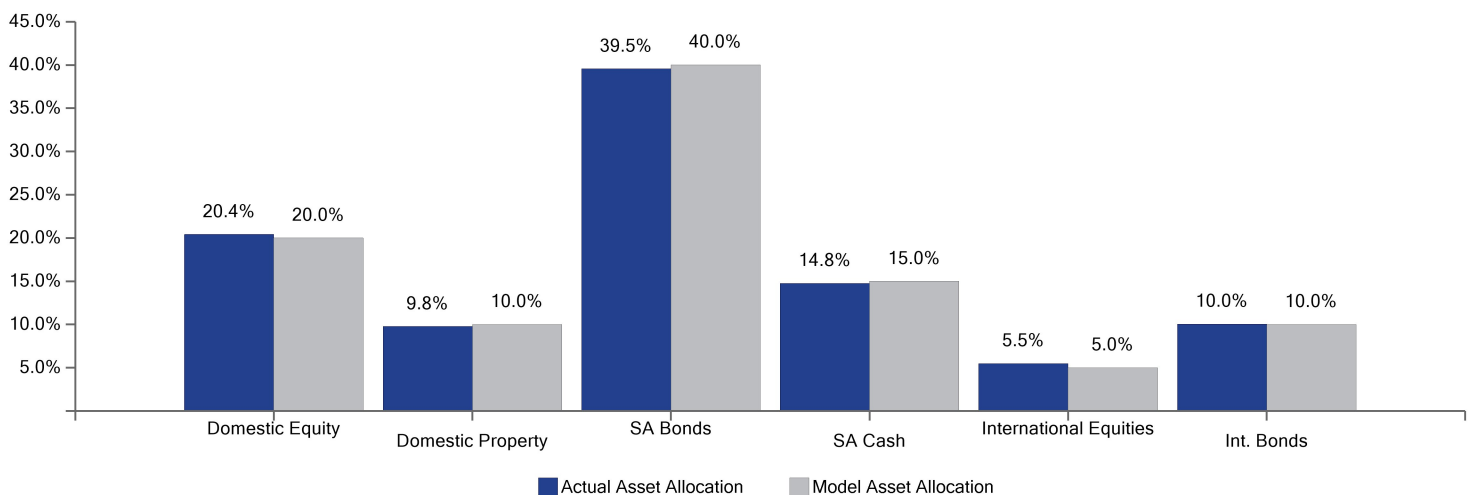
The International Monetary Fund (IMF) has cut its global growth forecasts and raised inflation forecasts. Supply-chain disruptions and rapidly rising energy costs are providing upside risks to inflation and downside risks to growth. US 5-year inflation break-evens are now at their highest in 20 years at 2.9% - in line with what the Fed is now calling "transitory for longer" inflation. However, peak inflation is behind, even though it may take a while to subside. Goods inflation will ease in 2022 and energy price pressures will abate. Most importantly, tapering will start this year, but interest rates hikes won't be rushed as the Fed remains calm.

China's economy expanded 4.9% in the third quarter, down from 7.9% in the previous quarter, as the property slump and energy crisis impacted demand. Chinese new home prices fell on a month-on-month basis in September for the first time since April 2015. Households in China are highly exposed to property values, with housing representing more than 50% of their total asset values. While we don't expect a hard landing in China, it will be a soft recovery. Electricity consumption is at peak levels at a time when it has reduced coal production and banned Australian coal imports.

The peak prices in coal and natural gas prices could reflect the future for oil demand. However, the most likely outcome of the current energy crisis is increased production at higher energy prices. This will have the effect of stabilising the global economy and energy infrastructure but is also likely to temporarily slow down the energy transition. While the current energy price surge is painful for many, the effective tax on the overall economy remains manageable, particularly as central banks are likely to look through energy price spikes. Inflation remains key to the global outlook.

South Africa dropped down to 84th place out of 190 countries, in the World Bank's Ease of Doing Business index. This is mostly driven by Eskom's load shedding and Transnet's transport delays. The end of the month saw a low voter turnout with only 48% of the electorate estimated to have voted compared with a 57% turnout in 2016. The FTSE/JSE SWIX Index climbed 2.8%, Industrials were up 6.8% and Financials fell 3.8%. The JSE All Bond Index decreased 0.5%, while the rand depreciated by 1.0% relative to the US dollar.

ACTUAL ASSET ALLOCATION



FRONT OFFICE CONTACT DETAILS

031 322 9002
Vusi.Ngcobo@durban.gov.za
SmartXchange Building | 5 Walnut Road | Durban | 4000

FUND SUMMARY AS AT 31 OCTOBER 2021

STATISTIC	FUND	BENCHMARK
% Positive Months	70.0%	68.3%
% Negative Months	30.0%	31.7%
Worst Month	-7.3%	-11.3%
Best Month	5.3%	9.4%
Average Return	0.6%	0.5%
Median Return	0.9%	0.7%
Maximum Drawdown	-9.7%	-13.7%

PERFORMANCE ANALYSIS TO 31 OCTOBER 2021

PERIOD	FUND	BENCHMARK
1 Month	0.9%	0.9%
3 Months	2.3%	1.9%
6 Months	5.3%	4.1%
Year to Date	10.9%	10.2%
1 Year	19.5%	18.3%
3 Years	8.9%	7.1%
5 Years	7.7%	5.8%
Since Inception	7.6%	6.0%

Inception Date: 29 May 2015. 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)	0.06% (Jun 2021)
Total Investment Charge (TIC)	0.54% (Jun 2021)

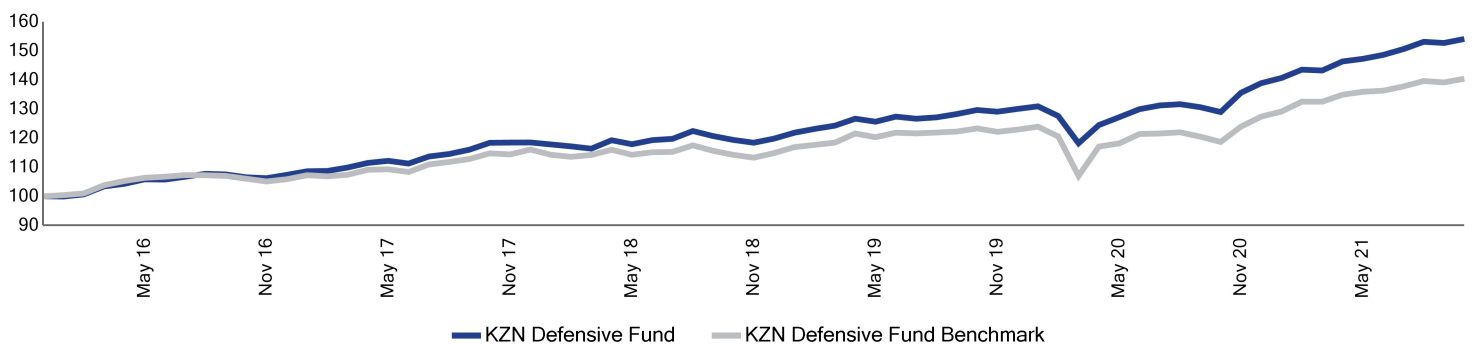
BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 20% SWIX, 15% ALBI, 10% SAPY, 15% STeFI, 5% MSCI World Index, 10% Barclays Global Bond Index, 25% Barclays BEASSA Index

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2016	-0.1%	0.7%	2.7%	0.9%	1.5%	-0.1%	0.9%	1.0%	-0.2%	-0.9%	-0.3%	1.1%	7.4%
2017	1.2%	0.1%	1.1%	1.4%	0.6%	-0.8%	2.2%	0.8%	1.3%	2.0%	0.1%	0.0%	10.4%
2018	-0.6%	-0.6%	-0.7%	2.5%	-1.1%	1.2%	0.4%	2.2%	-1.4%	-1.1%	-0.8%	1.2%	1.1%
2019	1.7%	1.1%	0.9%	1.9%	-0.8%	1.4%	-0.6%	0.4%	0.9%	1.1%	-0.4%	0.7%	8.5%
2020	0.7%	-2.6%	-7.3%	5.3%	2.2%	2.2%	1.0%	0.3%	-0.8%	-1.3%	5.1%	2.4%	6.8%
2021	1.3%	2.0%	-0.2%	2.2%	0.6%	0.9%	1.3%	1.7%	-0.3%	0.9%			10.9%

CUMULATIVE INVESTMENT PERFORMANCE



DISCLAIMER

The information and commentary contained in this document is of a general nature and is not intended to address the circumstances of a particular individual or entity. It does not in any way constitute a solicitation, recommendation, guidance or proposal, nor does it constitute financial, investment, tax, legal or other advice. Whilst reasonable care was taken in ensuring that the information is accurate, Sygnia Asset Management does not warrant its accuracy, correctness or completeness and accepts no liability in respect of any damages and/or loss suffered as a result of reliance on the information in this document. No one should act upon the information contained in this document without having obtained appropriate and professional financial, investment, legal, tax and such other relevant advice as may be required in each instance. Sygnia Asset Management is a licensed financial services provider (FSP 873): 7th Floor, the Foundry, Cardiff Street, Green Point, 8001 Tel: (021) 446 4940/Fax: (021) 446 4950

CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2016	7.4%	5.9%
2017	10.4%	9.6%
2018	1.1%	-1.1%
2019	8.5%	7.0%
2020	6.8%	3.6%

MANAGER ALLOCATION 31 OCTOBER 2021

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	22.1%
Coronation - SA Cash	14.8%
Coronation - SA Bonds	10.7%
Prudential (Int Bond)	8.5%
Stanlib Bond Fund	6.7%
Argon SA Equity Fund	6.5%
SMMI Positive Return Fund Three B11	4.9%
STANLIB Property Income Fund Class B3	4.9%
Mergence Equity (Swix) Fund	4.8%
BlackRock - International Equity	4.6%
MAZI Capital SA Equity (Swix) Fund	3.1%
KZN Satrix SWIX Portfolio	3.0%
Lima Mbeu Equity Portfolio	1.9%
P1 Finance PLC (listed bond)	1.5%
Prudential Core Capped Swix Equity Fund	1.1%
BlackRock MSCI Emerging Market Equity	0.7%
SPDR? S&P Kensho New Economies Composite ETF	0.3%