

KZN MODERATE FUND

NOVEMBER 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

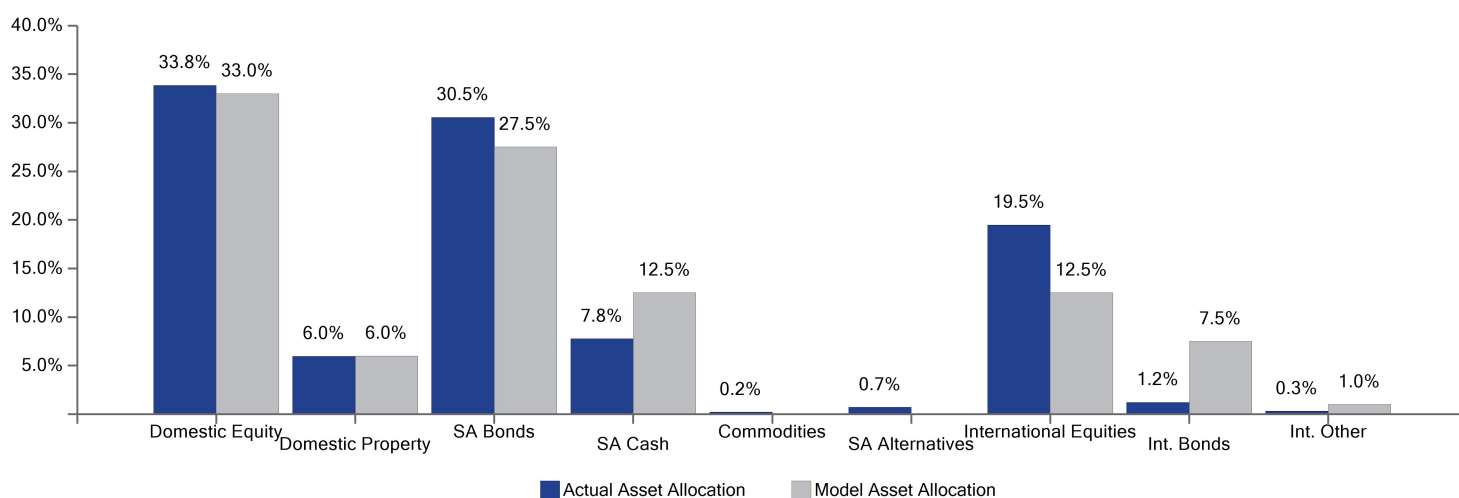
Markets tumbled in November on the news of the Omicron variant. This was on the back of a fourth Covid wave already racing through Europe. However, growth in Asia is set to recover as mobility has increased significantly. While quantitative easing is expected to end in 2022, the central bank balance sheets will not shrink, and global policy rates will see only a mild increase. Rising uncertainty around Covid will allow monetary policy to stay more accommodative for longer.

Natural gas prices in Europe surged more than 17% on news that German energy regulators suspended certification proceedings for the Nord Stream 2 natural gas pipeline. The pipeline would allow Russia to double its exports to Germany. Meanwhile, relations between the US and China have improved with President Joe Biden reiterating that the US doesn't seek to change China's political system and doesn't support Taiwan independence. A lowering of tariffs would provide an upside risk to Chinese and US growth. US October headline inflation increased by the most since 1990 at 6.2%. However, inflation expectations remain well anchored and within the range consistent with the Fed achieving its 2% personal consumption expenditure (PCE) target.

South African finance minister Enoch Godongwana emphasised government's "unflinching commitment to fiscal sustainability" in his first medium term budget policy statement. Treasury estimates debt will peak at 78.1% in 2025/6, down from 88.9% forecasts in February this year. Although the budget overall was well balanced, the annual reports of State-Owned Enterprises show that several of the 26 larger and more familiar entities are close to total failure. These include Eskom, the SABC, PetroSA, Denel and the Land Bank.

As a result, South African bond yields remain very attractive, pricing in the risk that exists with the highest prospective real yield in the investable universe (Colchester Oct 2021). A conservative Monetary Policy Committee raised interest rates 25 basis points (bps) in November. The South African Reserve Bank's quarterly projection model implies a 25bps rate hike at every MPC meeting next year, with the repo rate rising to 6% by the end of 2023, below its previous assumption. The FTSE/JSE SWIX Index climbed 0.7%, Industrials were up 6.4% and Financials fell 2.6%. The JSE All Bond Index increased 0.7%, while the rand depreciated by 5.4% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 30 NOVEMBER 2021

STATISTIC	FUND	BENCHMARK
% Positive Months	68.3%	71.7%
% Negative Months	31.7%	28.3%
Worst Month	-9.1%	-8.8%
Best Month	7.8%	8.3%
Average Return	0.7%	0.7%
Median Return	1.1%	1.1%
Maximum Drawdown	-12.4%	-12.3%

PERFORMANCE ANALYSIS TO 30 NOVEMBER 2021

PERIOD	FUND	BENCHMARK
1 Month	1.0%	1.4%
3 Months	2.6%	2.1%
6 Months	6.7%	5.6%
Year to Date	15.4%	12.6%
1 Year	18.2%	15.3%
3 Years	11.0%	10.3%
5 Years	8.4%	8.5%
Since Inception	7.7%	7.7%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.56% (Sep 2021)
Transaction Costs (TC)	0.09% (Sep 2021)
Total Investment Charge (TIC)	0.65% (Sep 2021)

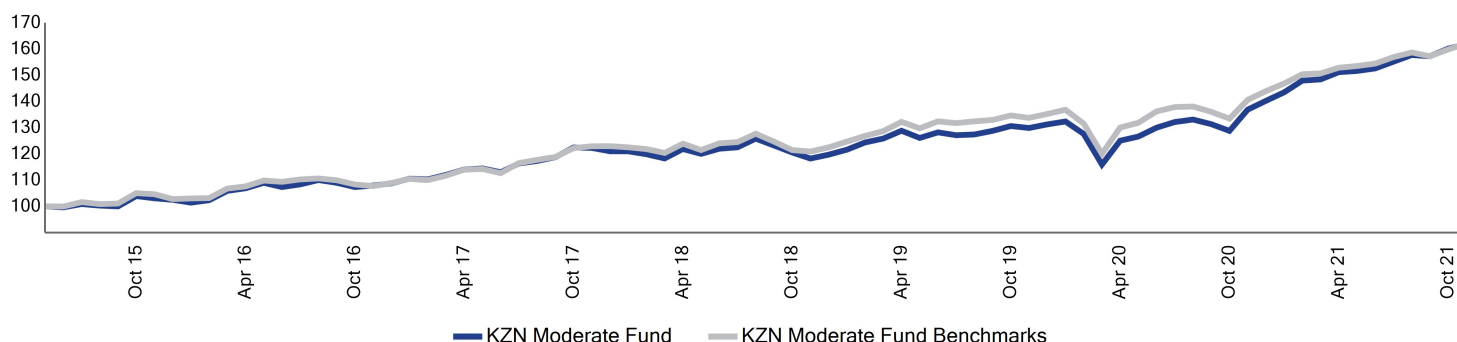
BENCHMARK COMPOSITION

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%	1.8%	1.0%		15.4%

CUMULATIVE INVESTMENT PERFORMANCE



DISCLAIMER

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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 NOVEMBER 2021

MANAGER	PERCENTAGE
Ninety One Global Balanced Fund	12.4%
Prudential - Global Balanced	12.3%
Coronation - Global Balanced	12.3%
Coronation Absolute Bond - SA Bonds	11.8%
Coronation - SA Cash	8.2%
Coronation - SA Bonds	5.6%
Argon SA Equity Fund	5.0%
Prudential (Int Bond)	5.0%
BlackRock - International Equity	5.0%
Mergence Equity (Swix) Fund	3.7%
Stanlib Bond Fund	3.6%
SMMI Positive Return Fund Three B11	2.6%
STANLIB Property Income Fund Class B3	2.6%
MAZI Capital SA Equity (Swix) Fund	2.5%
KZN Satrx SWIX Portfolio	2.4%
Lima Mbeu Equity Portfolio	1.5%
P1 Finance PLC (listed bond)	0.9%
Prudential Core Capped Swix Equity Fund	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	0.2%