

# KZN MONEY MARKET FUND

DECEMBER 2022

The KZN Money Market Fund is a low risk fund that aims to achieve above average money market returns that perform in line with or slightly better than inflation over time.

The fund invests only in money market instruments and cash. Specialist asset managers are appointed to select the best money market instruments to investment in and the fund maintains a high degree of liquidity and capital preservation.

The fund has little or no chance of capital loss and is not expected to achieve any significant real growth of capital over the long-term. As a result, the fund is best suited to members who have a very short term (1 year or less) investment horizon. This fund is not appropriate for long term investing.

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

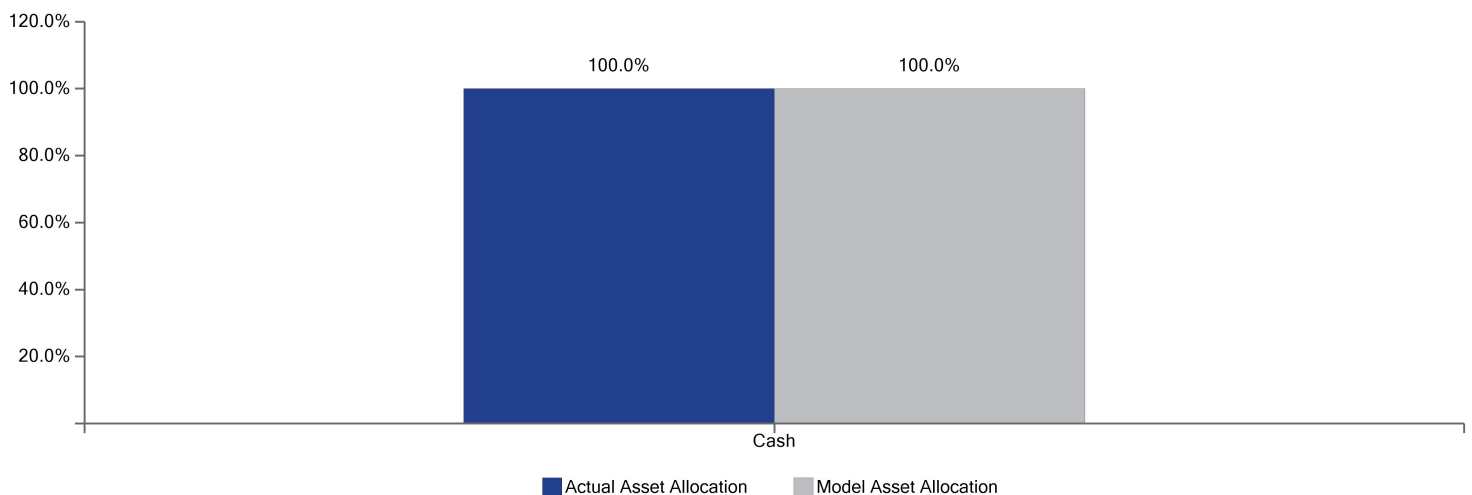
## MONTHLY COMMENTARY

After one of the toughest years in nearly a century, markets ended December down, making 2022 equity's worst year since the Global Financial Crisis. A vicious combination of contractionary policy, volatility and inflation at 40-year highs erased about \$14 trillion of wealth from global stock markets. Bonds suffered from a staggering 300 interest rate hikes around the world, and commodity and FX markets were upended by supply chain chaos and war. Markets were so volatile that equities posted their second-worst year on record, interspersed with three rallies of greater than 10%, and 2022 was one of only five years in the last 100 where US Treasuries and the S&P 500 finished in the red. The ESG sector realised its first year of net outflows since 2011 and underperformed its non-ESG peer basket for the first time in five years. The average US equity mutual fund finished the year down about 17%, with the average US large-value fund down only 6% compared to growth peers' 30% losses (thanks to the \$4 trillion downturn in Big Tech). US bond funds declined an average of 12% as the year bestowed expensive lessons on investors with nowhere to hide. A breakdown in historical correlations demonstrated the importance of thorough fundamental diversification.

The 2023 calendar year is likely to kick off with caution around a possible US recession: the US Federal Reserve has mounted its most aggressive inflation fight in decades, value chains are still recovering from Covid lockdowns and national governments are sitting on ominous piles of debt. If long-term inflation expectations remain anchored, however, the conservative nature of current investor positioning may mean that central banks can avoid the need to crush global markets into recession. Growth will be tepid at best, but pent-up demand and favourable savings among consumers (ex-SA) can save many economies from a deep recession. Furthermore, a normalisation in dollar strength through 2023 is a crowded bet, with many estimates pinning the stretch in greenback valuation at about 20% against developed market peers (another 40-year high). After a tough 2022 for markets, we reaffirm conservative, passive core positioning with thematic alpha generation satellites as the best strategy for the uncertainty of early 2023.

The FTSE/JSE CAPPED SWIX Index fell by 2.8%, Industrials were down 0.1% and Financials decreased by 5.1%. The JSE All Bond Index rose by 0.6%, while the rand depreciated by 0.1% relative to the US dollar.

## ACTUAL ASSET ALLOCATION



### FRONT OFFICE CONTACT DETAILS

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**KZN**

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 DECEMBER 2022

STATISTIC	FUND	BENCHMARK
% Positive Months	100.0%	100.0%
% Negative Months	0.0%	0.0%
Worst Month	0.3%	0.3%
Best Month	0.8%	0.6%
Average Return	0.6%	0.5%
Median Return	0.6%	0.5%
Maximum Drawdown	0.0%	0.0%

PERFORMANCE ANALYSIS TO 31 DECEMBER 2022

PERIOD	FUND	BENCHMARK
1 Month	0.7%	0.5%
3 Months	1.9%	1.6%
6 Months	3.5%	2.9%
Year to Date	6.0%	5.2%
1 Year	6.0%	5.2%
3 Years	5.7%	4.8%
5 Years	6.8%	5.8%
Since Inception	7.6%	6.8%

Inception Date: 01 July 2007. Returns prior to inception are backtested.  
Returns are net of the TIC.

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.16% (Sep 2022)
Transaction Costs (TC)	0.00% (Sep 2022)
Total Investment Charge (TIC)	0.16% (Sep 2022)

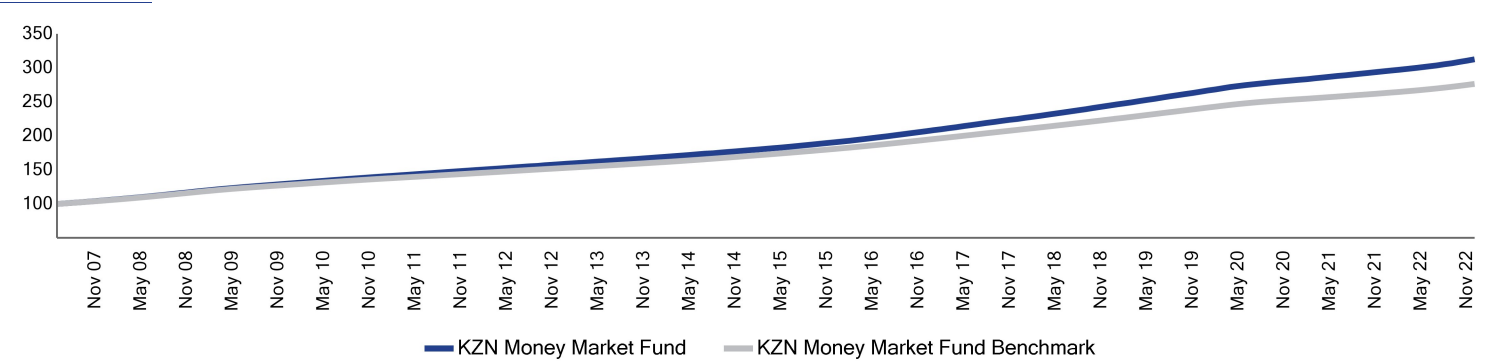
BENCHMARK COMPOSITION

KZN Money Market Fund Benchmark

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2017	0.8%	0.7%	0.8%	0.7%	0.8%	0.7%	0.7%	0.8%	0.6%	0.7%	0.7%	0.5%	8.7%
2018	0.8%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.7%	0.7%	8.7%
2019	0.7%	0.6%	0.6%	0.7%	0.7%	0.6%	0.7%	0.7%	0.6%	0.7%	0.6%	0.7%	8.3%
2020	0.7%	0.6%	0.7%	0.7%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	6.2%
2021	0.4%	0.3%	0.5%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	4.8%
2022	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.6%	0.5%	0.6%	0.6%	0.7%	6.0%

CUMULATIVE INVESTMENT PERFORMANCE



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CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2017	8.7%	7.5%
2018	8.7%	7.3%
2019	8.3%	7.3%
2020	6.2%	5.4%
2021	4.8%	3.8%
2022	6.0%	5.2%

MANAGER ALLOCATION 31 DECEMBER 2022

MANAGER	PERCENTAGE
Coronation - SA Cash	99.9%
Cash	0.1%