

# KZN ISLAMIC FUND

JUNE 2023

The KZN Islamic Fund is a moderately aggressive fund that aims to provide steady long term returns and capital growth.

The fund is invested in a wide variety of domestic and international asset classes such as equity, sukuks and listed property. The selected asset managers have the freedom to select the allocation to each of these asset classes and the most attractive securities to invest in within each asset class.

The underlying investments will comply with Sharia requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as well as the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

Due to its relatively 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 (5 years or more) investment horizon.

This fund is suitable for Muslim investors requiring a Sharia-compliant portfolio appropriate for retirement schemes.

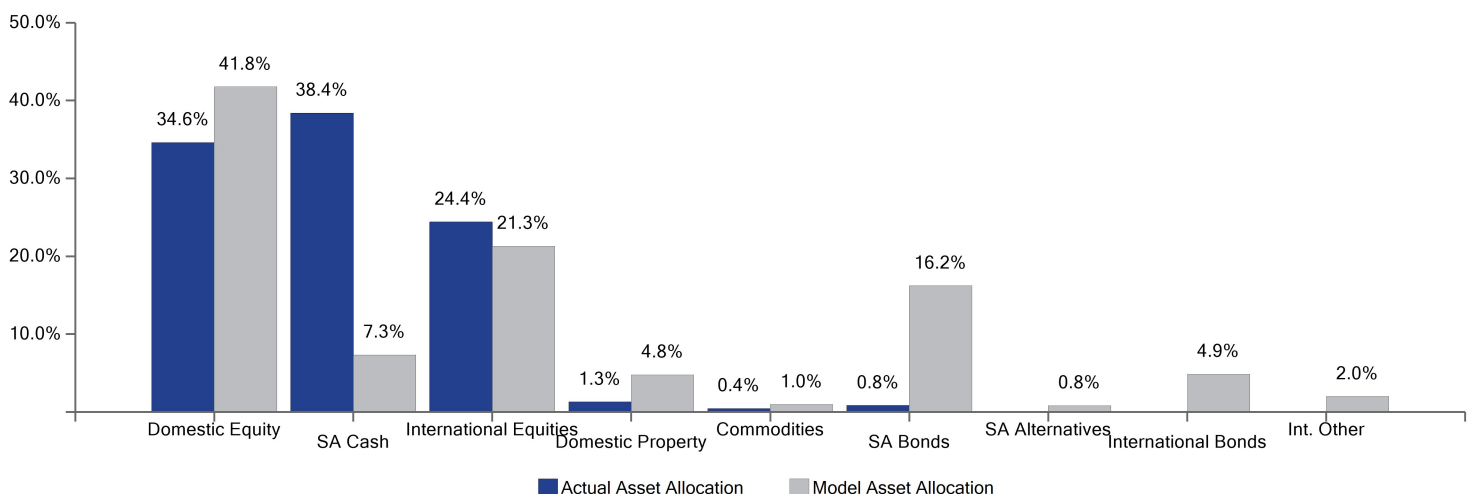
## MONTHLY COMMENTARY

Markets performed well in June, buoyed by the raising of the US debt ceiling, falling energy prices and resilient economic growth - but this resilience will lead to higher inflation for longer and a longer pause in interest rate hikes by the Federal Reserve (the Fed). It is therefore important to focus on what global policymakers do, rather than on what they say. The Fed maintained a hawkish tone but did not raise rates in June. On the other side of the world, China's official policy of prioritising economic growth was reflected in yet another rate cut and further fiscal stimulus, causing the market to rally briefly. However, the market is not yet convinced there is sufficient stimulus to promote robust reflation. While global energy prices have fallen, the current Ukrainian counteroffensive unfortunately aggravates geopolitical risk. If significant territorial shifts occur and Russia loses major ground, Russia may intensify its military pressure and further cut commodity exports. The Wagner group's push towards Moscow increases this risk.

Investor sentiment has surged to its highest level since late 2021, as evidenced by the CNN risk appetite indicator, which is sitting in extreme-greed territory. This suggests that equities are due for a correction, but a deep correction is not expected. The short-term outlook is dominated by two risks: China's policy support and the Fed's rhetoric on inflation. Further negative news on either of these fronts could be a catalyst for a pullback in equity markets. That said, there are reasons to believe that should a US recession occur, it will be a shallow one. First, there are no major imbalances or debt build-ups in corporates or individuals. Second, high cash balances have put a floor under household wealth. Third, the US regional banking system remains contained. And fourth, inflation is continuing to fall. BCA estimate that with inflation below 4%, real earnings will turn positive and a US earnings rebound in 2H is likely. In China, small steps are already being made to increase policy support. Absent a major escalation in geopolitical risk in the Ukraine or elsewhere, earnings should continue to grow this year, supporting equities. However, the lagged impacts of higher interest rates could take their toll next year.

The FTSE/JSE CAPPED SWIX Index increased by 3.8%, Industrials were up 3.7% and Financials climbed by 11.4%. The JSE All Bond Index improved by 4.6%, while the rand appreciated by 4.7% 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 30 JUNE 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	63.3%	61.7%
% Negative Months	36.7%	38.3%
Worst Month	-8.1%	-10.3%
Best Month	7.6%	9.6%
Average Return	0.8%	0.5%
Median Return	0.6%	0.8%
Maximum Drawdown	-13.0%	-14.3%

## PERFORMANCE ANALYSIS TO 30 JUNE 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.6%	1.5%
3 Months	2.7%	3.1%
6 Months	6.4%	7.5%
Year to Date	6.4%	7.5%
1 Year	12.3%	13.7%
3 Years	13.6%	9.6%
5 Years	9.2%	6.2%
Since Inception	7.7%	7.3%

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

## FEES

	PERCENTAGE
Total Expense Ratio (TER)	1.13% (Mar 2023)
Transaction Costs (TC)	0.11% (Mar 2023)
Total Investment Charge (TIC)	1.24% (Mar 2023)

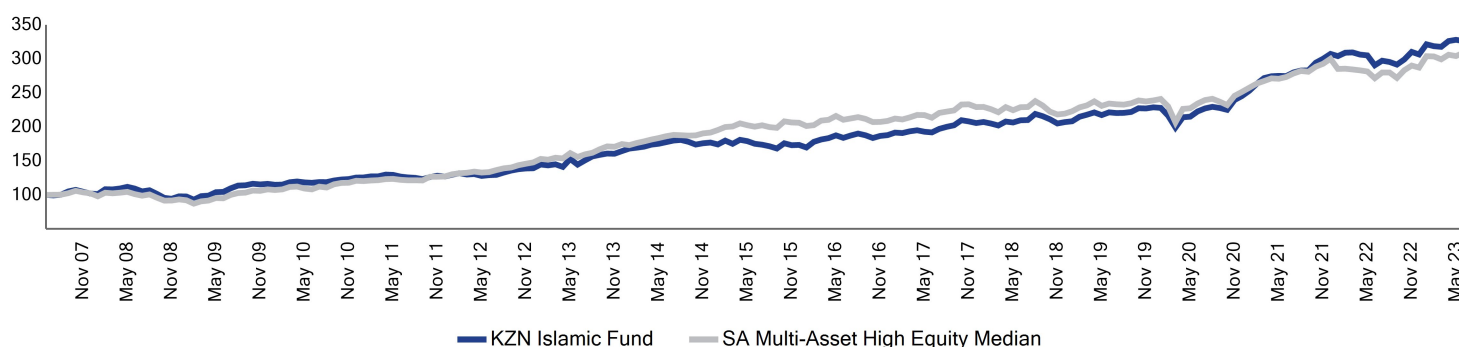
## BENCHMARK COMPOSITION

SA Multi-Asset High Equity Median

## HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2018	0.7%	-1.1%	-1.4%	2.9%	-0.7%	1.6%	0.2%	4.3%	-1.5%	-2.2%	-2.9%	1.0%	0.7%
2019	0.6%	3.2%	1.4%	1.6%	-1.8%	1.8%	-0.4%	0.1%	0.6%	2.5%	-0.1%	0.7%	10.5%
2020	-0.4%	-5.0%	-8.1%	7.6%	0.4%	3.6%	2.0%	1.1%	-0.8%	-1.2%	6.4%	2.4%	7.2%
2021	3.2%	4.1%	3.2%	1.0%	0.2%	-0.1%	2.0%	1.0%	0.1%	4.0%	2.0%	2.4%	25.3%
2022	-1.1%	1.6%	0.1%	-1.0%	-0.4%	-4.8%	2.3%	-0.6%	-1.3%	2.6%	3.7%	-1.2%	-0.3%
2023	4.9%	-0.9%	-0.3%	2.7%	0.6%	-0.6%							6.4%

## CUMULATIVE INVESTMENT PERFORMANCE



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## CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2018	0.7%	-4.2%
2019	10.5%	8.8%
2020	7.2%	5.3%
2021	25.3%	19.3%
2022	-0.3%	-4.3%

## MANAGER ALLOCATION 30 JUNE 2023

MANAGER	PERCENTAGE
Camissa - Islamic Balanced	50.0%
Old Mutual Albaraka Balanced Fund	49.7%
Cash	0.4%