KZN MANAGED FUND

JUNE 2023

The KZN Managed Fund is a moderately aggressive fund that aims to achieve above average returns over the longer term.

The fund can invest across all local and foreign asset classes. The fund makes use of a blend of three good quality asset managers who have been given fully discretionary global balanced mandates. These asset managers have the freedom to select the allocation to each of theseasset classes and the most attractive securities to invest in within each asset class. A portion of the fund is managed on a strategic asset allocation basis, where the long term allocation between the various asset classes have been set, taking into account the fund's long term aim. Specialist asset managers have been appointed to manage each of the asset classes and have the freedom to select the most attractive securities to invest in within each asset class.

Due to its relatively high allocation to growth assets (such as local and foreign shares and private equity), 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.

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

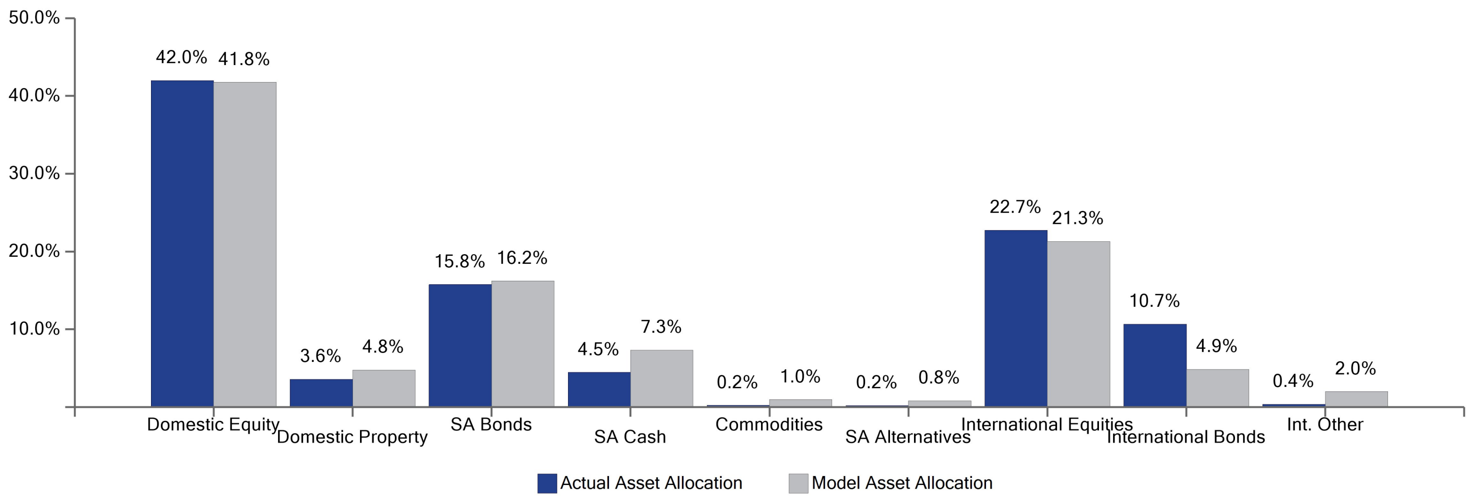
MONTHLY COMMENTARY

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



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KZN MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 30 JUNE 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	63.3%	66.7%
% Negative Months	36.7%	33.3%
Worst Month	-11.0%	-10.5%
Best Month	10.4%	9.7%
Average Return	0.8%	0.7%
Median Return	1.1%	1.0%
Maximum Drawdown	-15.1%	-14.8%

PERFORMANCE ANALYSIS TO 30 JUNE 2023

PERIOD	FUND	BENCHMARK
1 Month	2.1%	2.1%
3 Months	3.3%	3.2%
6 Months	7.6%	8.0%
Year to Date	7.6%	8.0%
1 Year	16.4%	16.2%
3 Years	13.8%	12.9%
5 Years	9.0%	8.5%
Since Inception	10.5%	10.1%

Inception Date: 31 August 2012. Returns prior to inception are backtested.
Returns are net of the TIC.

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.62% (Mar 2023)
Transaction Costs (TC)	0.13% (Mar 2023)
Total Investment Charge (TIC)	0.75% (Mar 2023)

CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	5.4%
2021	23.3%	22.0%
2022	2.0%	1.7%

MANAGER ALLOCATION 30 JUNE 2023

MANAGER	PERCENTAGE
M&G - Global Balanced	19.5%
Coronation - Global Balanced	19.5%
Ninety One Global Balanced Fund	19.5%
BlackRock - International Equity	7.3%
Argon SA Equity Fund	4.8%
Mergence Equity (Swix) Fund	3.9%
MAZI Capital SA Equity (Swix) Fund	3.8%
KZN Satrix SWIX Portfolio	2.9%
Lima Mbeu Equity Portfolio	1.9%
Coronation Absolute Bond - SA Bonds	1.9%
Mianzo Capped Swix Active Equity Fund	1.9%
Coronation - SA Cash	1.7%
M&G Global Bond Fund	1.6%
BlackRock MSCI Emerging Market Equity	1.2%
Vunani	1.1%
MSM Property Fund (Pty) LTD	1.1%
Avior Trading Account	1.0%
P1 Finance PLC (listed bond)	1.0%
Stanlib Bond Fund	0.8%
AFI Private Markets Fund	0.7%
Prescient Clean energy & Infrastructure Debt I	0.5%
SPDR S&P Kensho New Economies Composite ETF	0.4%
ATA Fund 3	0.4%
SMMI Positive Return Fund Three B11	0.3%
STANLIB Property Income Fund Class B3	0.3%
Old Mutual - SA Private Equity	0.3%
Vuna	0.3%
Prescient Clean energy & Infrastructure Debt II	0.2%
Mahlako Energy Fund I Partnership	0.2%
Transition Portfolio	0.1%
Avior Currency Hedge	-0.2%

BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 95% Global Large Manager Watch Median, 1.4% Capped SWIX, 1.6% ALBI, 2% SAPY

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2021	3.4%	4.2%	0.8%	1.6%	0.0%	0.4%	2.0%	1.6%	-0.3%	2.8%	1.2%	3.6%	23.3%
2022	-0.8%	1.1%	-0.4%	-1.6%	0.6%	-4.5%	3.5%	-0.3%	-2.9%	4.1%	4.9%	-1.2%	2.0%
2023	6.3%	-0.4%	-1.6%	2.1%	-0.9%	2.1%							7.6%

CUMULATIVE INVESTMENT PERFORMANCE