

KZN DEFENSIVE FUND

AUGUST 2023

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

Markets declined in August before recovering slightly. Tensions heightened after Fitch downgraded the US credit rating, driving US real bond yields to their highest level since 2009. European natural gas prices shot up by nearly 40% due to potential disruptions in the global supply of liquefied natural gas from Australia. Concurrently, oil prices reached a nine-month peak, further intensifying overarching inflation concerns.

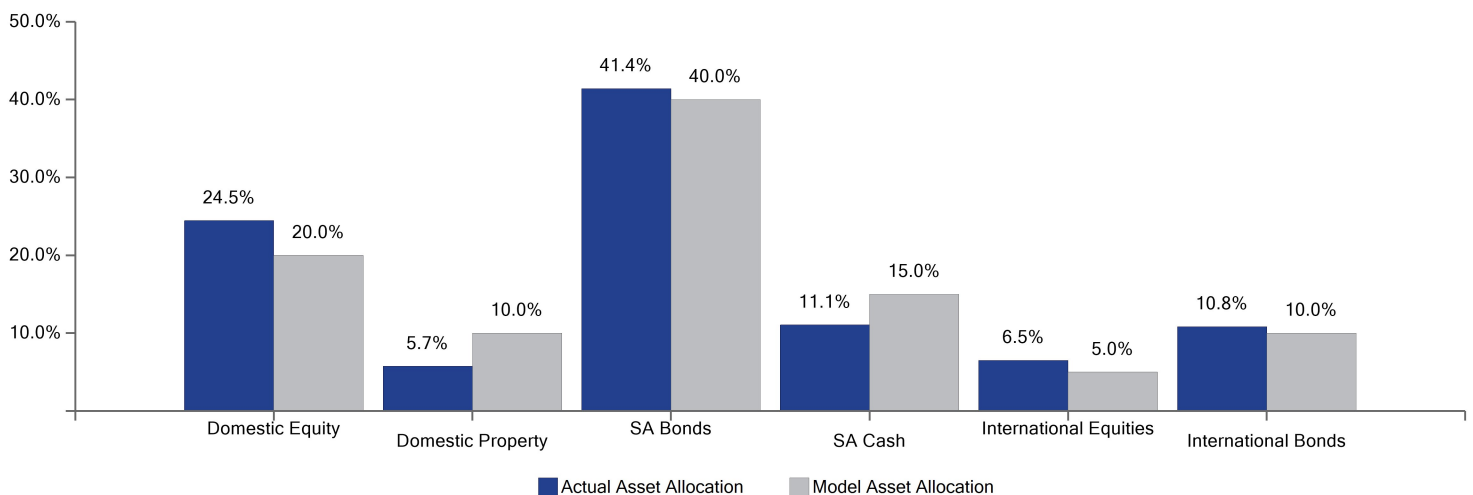
The Chinese economy remains of concern. In response to escalating concerns over deflationary pressures and a sagging property market, Chinese authorities intensified their yuan interventions to prevent swift depreciation, and the People's Bank of China announced cuts to its mortgage rates for the first time since the great financial crisis - but the market believes further stimulus is required. President Xi attended the BRICS summit in Johannesburg, where membership was expanded from five to eleven nations as top oil exporter Saudi Arabia joined the bloc along with Iran, Egypt, Argentina, Ethiopia and the United Arab Emirates in an ambitious push to expand global influence.

In the US, remarkable consumer endurance has maintained inflation above the 2% mark, prompting the US Federal Reserve to again underscore its commitment to curtailing it. Trump was booked on felony charges in Georgia and his mug shot went viral along with his popularity, highlighting the US presidential elections on the horizon.

The US remains resilient, and a cyclical manufacturing turnaround is possible. The tailwinds suggest good news over the coming months, but history suggests that the aggressive monetary tightening of the past year will eventually lead to an economic slowdown. While we expect inflation to remain sticky, it will fall along with growth as excess savings from Covid run out and China continues to export deflation. This is bullish for bonds and the dollar. As the global economy is not out of the woods quite yet, we remain cautiously positioned.

The FTSE/JSE CAPPED SWIX Index decreased by 4.8%, Industrials were down 5.1% and Financials dropped by 1.8%. The JSE All Bond Index declined by 0.2%, while the rand depreciated by 6.5% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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FUND SUMMARY AS AT 31 AUGUST 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	63.3%	61.7%
% Negative Months	36.7%	38.3%
Worst Month	-7.3%	-11.3%
Best Month	5.3%	9.4%
Average Return	0.6%	0.5%
Median Return	0.8%	0.6%
Maximum Drawdown	-9.7%	-13.7%

PERFORMANCE ANALYSIS TO 31 AUGUST 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.2%	-0.3%
3 Months	3.7%	3.6%
6 Months	3.5%	2.1%
Year to Date	6.5%	5.3%
1 Year	10.4%	9.9%
3 Years	10.0%	9.2%
5 Years	7.4%	6.2%
Since Inception	7.5%	6.2%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.46% (Jun 2023)
Transaction Costs (TC)	0.05% (Jun 2023)
Total Investment Charge (TIC)	0.52% (Jun 2023)

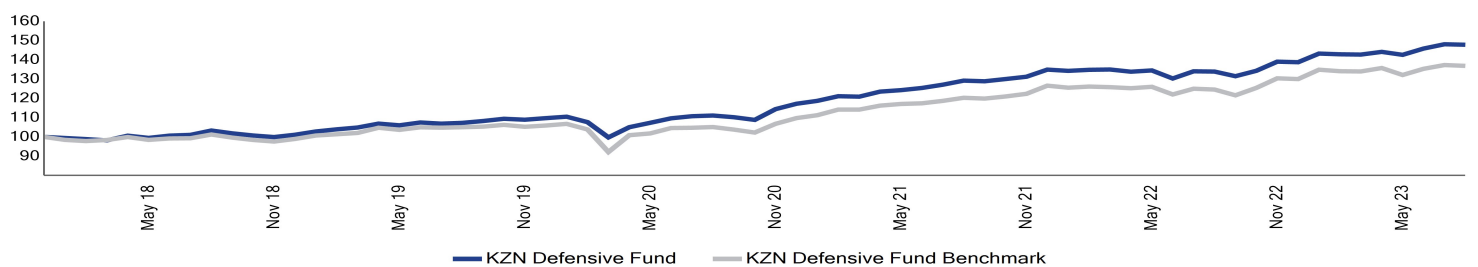
BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 21.4% Capped SWIX, 41.6% ALBI, 8.5% SAPY, 13.5% STeFI, 5% MSCI All Country World Index, 10% Barclays Global Agg Bond Index,

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2021	1.3%	2.0%	-0.2%	2.2%	0.6%	0.9%	1.3%	1.7%	-0.3%	0.9%	0.9%	2.8%	15.1%
2022	-0.5%	0.4%	0.1%	-0.8%	0.5%	-3.1%	2.9%	-0.1%	-1.8%	2.1%	3.5%	-0.2%	2.8%
2023	3.2%	-0.3%	-0.1%	1.0%	-1.1%	2.3%	1.5%	-0.2%					6.5%

CUMULATIVE INVESTMENT PERFORMANCE



DISCLAIMER

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CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	3.6%
2021	15.1%	15.3%
2022	2.8%	2.7%

MANAGER ALLOCATION 31 AUGUST 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	19.9%
Vunani	13.6%
Coronation - SA Cash	11.0%
Stanlib Bond Fund	7.9%
M&G Global Bond Fund	6.1%
BlackRock - International Equity	4.9%
Argon SA Equity Fund	4.7%
P1 Finance PLC (listed bond)	3.9%
Mergence Equity (Swix) Fund	3.7%
MAZI Capital SA Equity (Swix) Fund	3.6%
STANLIB Property Income Fund Class B3	2.9%
SMMI Positive Return Fund Three B11	2.8%
KZN Satrx SWIX Portfolio	2.8%
Lima Mbeu Equity Portfolio	1.8%
Mianzo Capped Swix Active Equity Fund	1.8%
Avior Trading Account	1.7%
MSM Property Fund (Pty) LTD	1.6%
AFI Private Markets Fund	1.1%
BlackRock MSCI Emerging Market Equity	0.8%
Prescient Clean energy & Infrastructure Debt I	0.8%
ATA Fund 3	0.6%
Old Mutual - SA Private Equity	0.6%
Mahlako Energy Fund I Partnership	0.5%
Vuna	0.4%
Prescient Clean energy & Infrastructure Debt II	0.4%
SPDR S&P Kensho New Economies Composite ETF	0.3%
Infra Impact Mid-Market Infrastructure Fund 1	0.1%
Cash	0.1%
Avior Currency Hedge	-0.4%