

# KZN MODERATE FUND

AUGUST 2023

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 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.

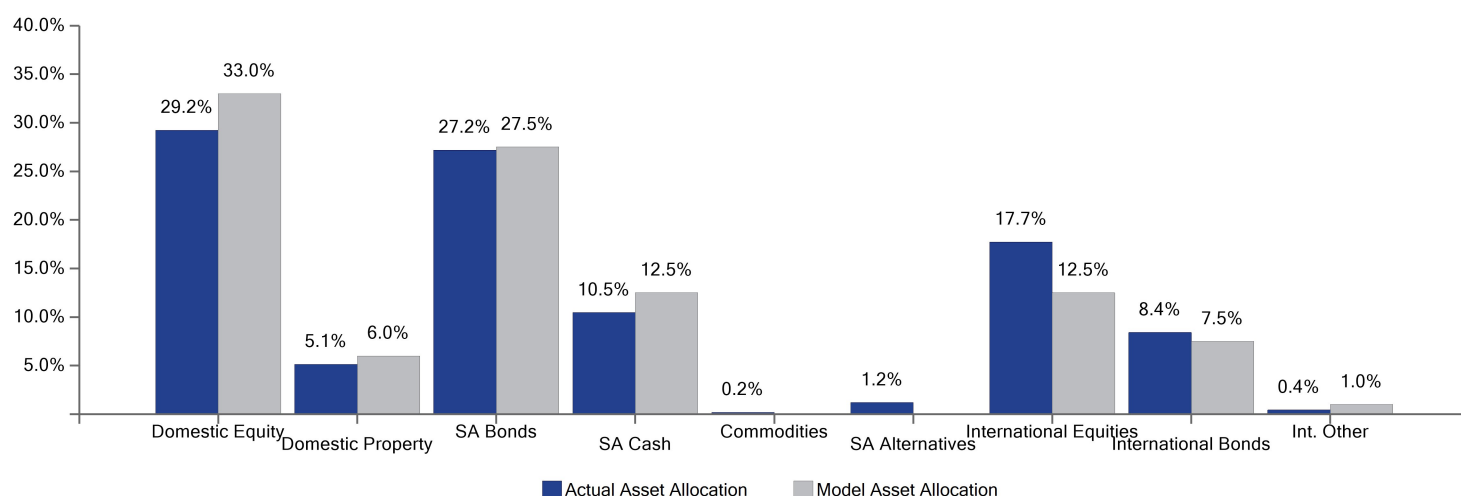
The Chinese economy remains of concern. In response to escalating concerns over deflationary pressures and a sagging property market, Chinese authorities intensified their yuan interventions to prevent swift depreciation, and the People's Bank of China announced cuts to its mortgage rates for the first 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



### FRONT OFFICE CONTACT DETAILS

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## FUND SUMMARY AS AT 31 AUGUST 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	63.3%	63.3%
% Negative Months	36.7%	36.7%
Worst Month	-9.1%	-8.8%
Best Month	7.8%	8.3%
Average Return	0.7%	0.6%
Median Return	0.9%	0.9%
Maximum Drawdown	-12.4%	-12.3%

## PERFORMANCE ANALYSIS TO 31 AUGUST 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.4%	-0.6%
3 Months	3.3%	3.2%
6 Months	3.0%	2.7%
Year to Date	7.6%	7.1%
1 Year	12.1%	12.0%
3 Years	11.4%	9.4%
5 Years	7.9%	7.2%
Since Inception	7.7%	7.4%

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% (Jun 2023)
Transaction Costs (TC)	0.09% (Jun 2023)
Total Investment Charge (TIC)	0.64% (Jun 2023)

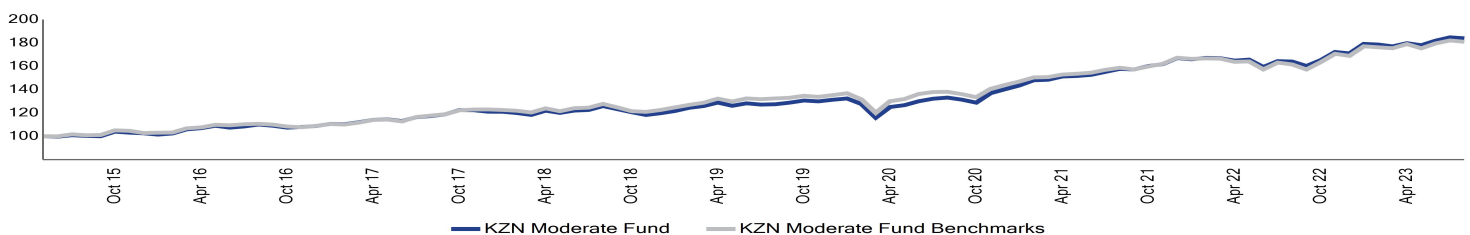
## BENCHMARK COMPOSITION

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
2021	2.3%	3.1%	0.3%	1.9%	0.3%	0.6%	1.7%	1.6%	-0.3%	1.8%	1.0%	3.2%	19.1%
2022	-0.6%	0.7%	-0.2%	-1.2%	0.5%	-3.8%	3.2%	-0.2%	-2.3%	3.1%	4.2%	-0.7%	2.4%
2023	4.8%	-0.3%	-0.9%	1.5%	-1.0%	2.2%	1.6%	-0.4%					7.6%

## CUMULATIVE INVESTMENT PERFORMANCE



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## CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	6.4%
2021	19.1%	16.2%
2022	2.4%	1.0%

## MANAGER ALLOCATION 31 AUGUST 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	10.8%
Coronation - Global Balanced	9.9%
Ninety One Global Balanced Fund	9.9%
M&G - Global Balanced	9.8%
Vunani	7.4%
Coronation - SA Cash	6.4%
BlackRock - International Equity	6.1%
Argon SA Equity Fund	4.7%
Stanlib Bond Fund	4.3%
M&G Global Bond Fund	3.8%
Mergence Equity (Swix) Fund	3.7%
MAZI Capital SA Equity (Swix) Fund	3.6%
KZN Satrx SWIX Portfolio	2.8%
P1 Finance PLC (listed bond)	2.4%
Mahlako Energy Fund I Partnership	2.3%
Mianzo Capped Swix Active Equity Fund	1.8%
STANLIB Property Income Fund Class B3	1.6%
SMMI Positive Return Fund Three B11	1.6%
Avior Trading Account	1.4%
MSM Property Fund (Pty) LTD	1.3%
BlackRock MSCI Emerging Market Equity	1.0%
AFI Private Markets Fund	0.9%
Prescient Clean energy & Infrastructure Debt I	0.6%
ATA Fund 3	0.5%
Old Mutual - SA Private Equity	0.5%
SPDR S&P Kensho New Economies Composite ETF	0.3%
Vuna	0.3%
Prescient Clean energy & Infrastructure Debt II	0.3%
Infra Impact Mid-Market Infrastructure Fund 1	0.1%
Transition Portfolio	0.1%
Cash	0.1%
Avior Currency Hedge	-0.3%