

KZN MODERATE FUND

SEPTEMBER 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.

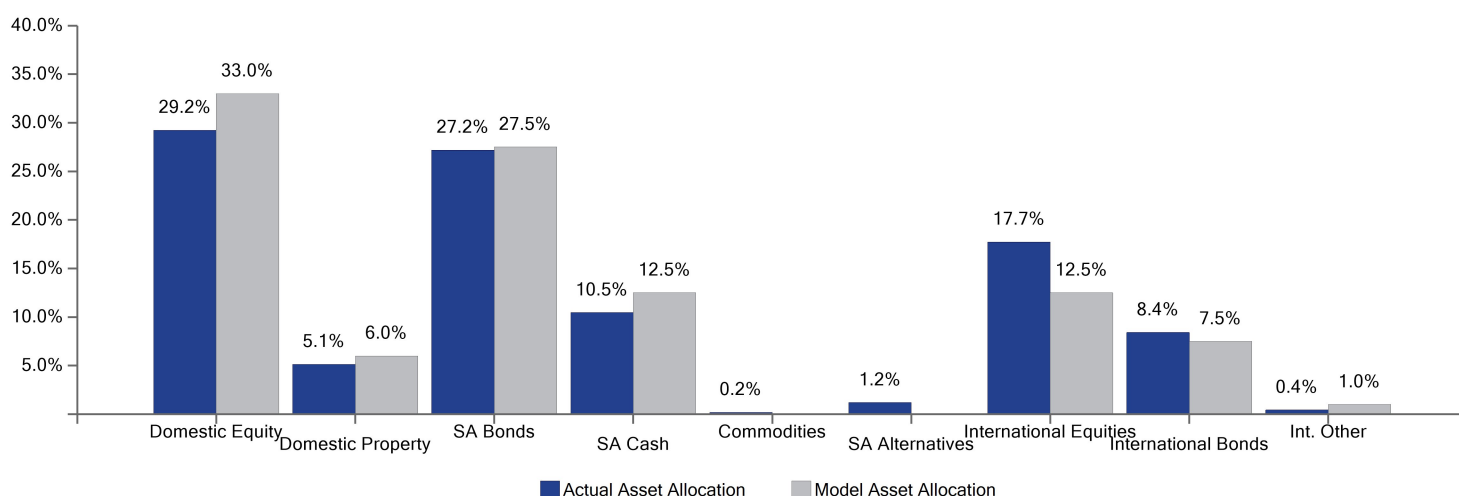
MONTHLY COMMENTARY

September was a month of further market pressure as oil prices rose to a 10-month high, raising concerns that an energy price shock will weigh on growth. Nonetheless, the Organisation for Economic Co-operation and Development raised its global growth forecast for this year to 3.0% from 2.7% in June in its Economic Outlook report, noting that the global economy is set for a slowdown in 2024 as interest rates weigh on economic activity and China's rebound disappoints. Central bank announcements continued to diverge based on differences in underlying growth and inflation: China cut its reserve requirement ratio by 0.25%, in line with its incremental easing policy, while the European Central Bank (ECB) raised rates by 0.25% to a 22-year high of 4.5%, the US kept rates flat as expected, and Japan similarly left its negative interest rate and the parameters of its yield curve control program unchanged. Developed market central banks are ready to converge at a higher-for-longer outlook. The Bank of England's chief economist, Huw Pill, called this the "Table Mountain" scenario, saying that rates will reach a long plateau at elevated levels, in line with the wide, flat summit of Cape Town's iconic mountain. Bond yields rose to reflect the new view and markets came under further pressure.

The global economy is at a crossroads. On the one hand, there are tentative signs of a rebound in global manufacturing, with new orders and new orders-to-inventory components of the global manufacturing PMI turning up. This suggests that businesses are starting to invest again and that demand is picking up. On the other hand, the global economy faces significant headwinds. The US is likely to experience a slowdown in the coming months as higher interest rates take effect and consumers run out of excess savings. In addition, China is experiencing deflationary conditions, and the war in Ukraine continues to cast a shadow over the global economy, disrupting supply chains and pushing up energy prices. As such, it is important to remain cautiously positioned: underweight equity and emerging markets and overweight the dollar and the US. A more positive outlook would require global interest rate cuts, de-escalation of the war in Ukraine or strong stimulus from China. However, conditions could also get worse if supply disruptions cause the oil price to spike.

The FTSE/JSE CAPPED SWIX Index decreased by 3.0%, Industrials were down 4.4% and Financials dropped by 3.8%. The JSE All Bond Index declined by 2.3%, while the rand appreciated by 0.5% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 30 SEPTEMBER 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 30 SEPTEMBER 2023

| PERIOD | FUND | BENCHMARK |
|-----------------|-------|-----------|
| 1 Month | -2.6% | -2.7% |
| 3 Months | -1.6% | -2.0% |
| 6 Months | 1.2% | 0.4% |
| Year to Date | 4.7% | 4.2% |
| 1 Year | 11.8% | 12.0% |
| 3 Years | 10.9% | 9.0% |
| 5 Years | 7.8% | 7.1% |
| Since Inception | 7.2% | 7.0% |

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) |

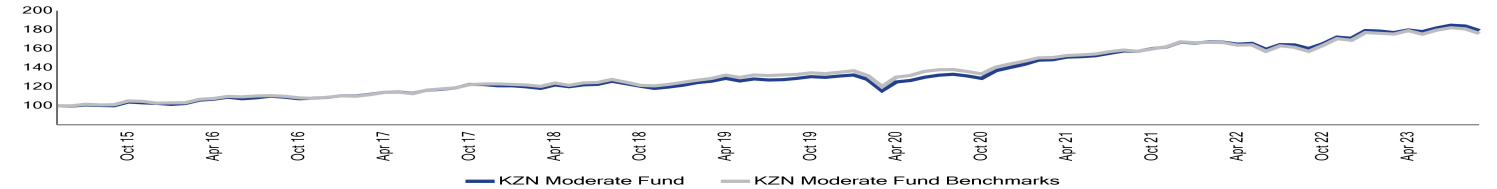
BENCHMARK COMPOSITION

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 |
|------|-------|-------|-------|-------|-------|-------|------|-------|-------|------|------|-------|------|
| 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% | -2.6% | | | | 4.7% |

CUMULATIVE INVESTMENT PERFORMANCE



DISCLAIMER

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CALENDAR YEAR RETURNS

| PERFORMANCE | FUND | BENCHMARK |
|-------------|-------|-----------|
| 2021 | 19.1% | 16.2% |
| 2022 | 2.4% | 1.0% |

MANAGER ALLOCATION 30 SEPTEMBER 2023

| MANAGER | PERCENTAGE |
|---|------------|
| Vunani | 11.5% |
| BlackRock - International Equity | 8.4% |
| M&G - Global Balanced | 7.7% |
| Coronation - Global Balanced | 7.7% |
| Ninety One Global Balanced Fund | 7.5% |
| Coronation Absolute Bond - SA Bonds | 6.9% |
| Argon SA Equity Fund | 4.9% |
| Stanlib Bond Fund | 4.7% |
| MAZI Capital SA Equity (Swix) Fund | 3.9% |
| Mianzo Capped Swix Active Equity Fund | 3.9% |
| Taquanta Core Cash - KZN Municipal Pension Fund | 3.8% |
| Coronation - SA Cash | 3.8% |
| KZN Satrix SWIX Portfolio | 2.9% |
| M&G Global Bond Fund | 2.2% |
| Garrington Capital (Coral Cove) | 2.1% |
| Lima Mbeu Equity Portfolio | 2.0% |
| Mergence Equity (Swix) Fund | 1.9% |
| P1 Finance PLC (listed bond) | 1.7% |
| SMMI Positive Return Fund Three B11 | 1.5% |
| STANLIB Property Income Fund Class B3 | 1.5% |
| MSM Property Fund (Pty) LTD | 1.3% |
| BlackRock MSCI Emerging Market Equity | 1.3% |
| Avior Trading Account | 1.3% |
| AFI Private Markets Fund | 1.0% |
| Mahlako Energy Fund I Partnership | 0.9% |
| Favo (Apex Structured Liquidity Solution) | 0.7% |
| Prescient Clean energy & Infrastructure Debt I | 0.7% |
| ATA Fund 3 | 0.5% |
| Old Mutual - SA Private Equity | 0.5% |
| Vuna | 0.4% |
| P1 Finance PLC (3 year listed bond) | 0.3% |
| Prescient Clean energy & Infrastructure Debt II | 0.3% |
| UMTHOMBO Private Markets Fund | 0.3% |
| Infra Impact Mid-Market Infrastructure Fund 1 | 0.1% |
| Coronation Managed Realignment Portfolio | 0.1% |
| Standard Bank KZN USD Account 090885988 | 0.1% |
| Avior Currency Hedge | -0.2% |