

# KZN MODERATE FUND

FEBRUARY 2024

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

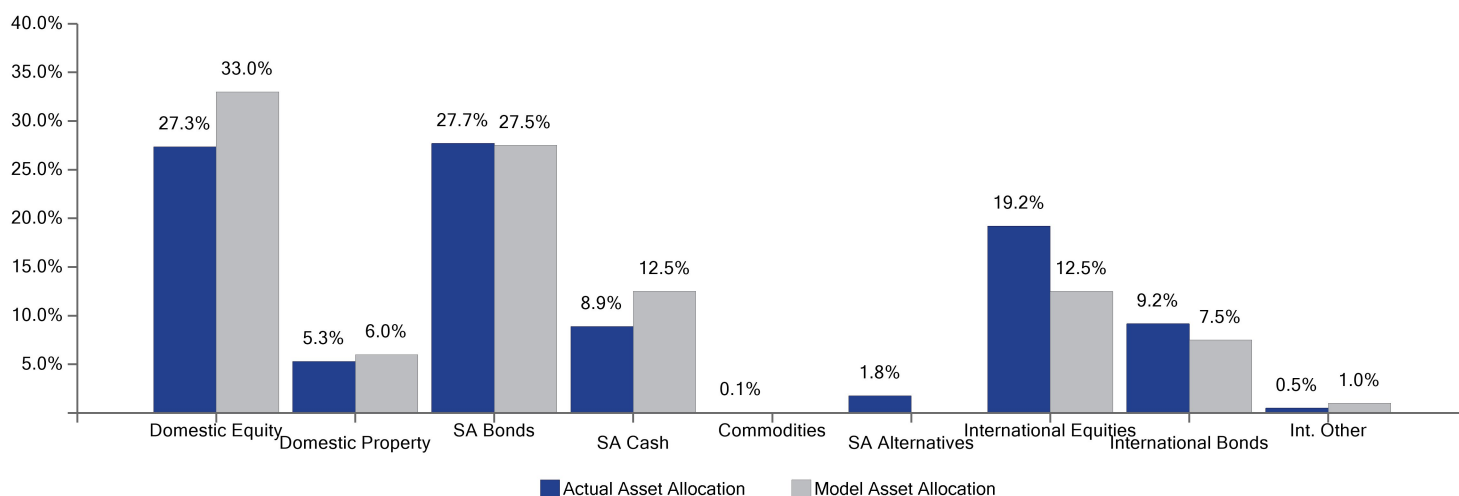
The MSCI World Index hit a new high in February. The developed economies are officially in a bull market, which has worked well for the fund's positioning. The bull market was driven by the US, which reached new all-time highs. Meanwhile, more than three decades after its previous high, the Japanese Nikkei 225 Index finally breached its 1989 high, and Europe's STOXX 50 Index is matching its 1999 high. What has driven markets to these new highs? Global economic barometers remain distorted by the Covid era, with the global manufacturing purchasing managers' index (PMI) only in January scaling the wall of worry (back) to the non-recessionary 50 level after 16 months of contraction. The PMI indicates that activity has stabilised. The improvement was driven by the US' economic growth recovery in 2023 as the rest of the world slowed. US gross domestic product (GDP) expanded by 3.3% in Q4 2023, the eurozone economy stagnated, and both Japan and the UK slipped into a recession in H2 2023. The Chinese economy continues to face low consumer confidence due to its struggling property market. However, GDP is backward-looking and markets are driven by changes in expectation, as best illustrated by the Citigroup Economic Surprise Indices. Consistent upside surprises in the US in 2023 are clear, driving world trade and growth. The eurozone and Japan have only recently shown green shoots, while China continues to flirt around the neutral level.

Our strategic views remain unchanged. The cyclical trend in equities is up over the next six months and the Fed pivot rally is not over. Odds of a severe US recession in 2024 remain low, but economic acceleration is also unlikely. China continues to export disinflation, shelter inflation is likely to fall in the US and oil prices are likely to remain contained, with non-OPEC supply increasing more than expected to outpace oil-demand growth. The Fed has room to cut rates.

On the flip side, the odds of inflation being significantly higher than expected and delaying rate cuts are greater than before but are unlikely to derail the picture unless a geopolitical event increases inflation through higher energy or transport costs. Geopolitical risks remain high, with the Russia/Ukraine war nearing its third year and tensions in the Red Sea remaining elevated. Sweden's newly approved NATO membership may exacerbate tensions.

The FTSE/JSE CAPPED SWIX Index decreased by 2.3%, Industrials were down by 0.6% and Financials fell by 0.8%. The JSE All Bond Index dropped by 0.6%, while the rand depreciated by 3.1% relative to the US dollar.

## ACTUAL ASSET ALLOCATION



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## FUND SUMMARY AS AT 29 FEBRUARY 2024

STATISTIC	FUND	BENCHMARK
% Positive Months	65.0%	63.3%
% Negative Months	35.0%	36.7%
Worst Month	-9.1%	-8.8%
Best Month	7.8%	8.3%
Average Return	0.8%	0.7%
Median Return	0.8%	0.6%
Maximum Drawdown	-12.4%	-12.3%

## PERFORMANCE ANALYSIS TO 29 FEBRUARY 2024

PERIOD	FUND	BENCHMARK
1 Month	0.7%	0.3%
3 Months	2.5%	2.4%
6 Months	4.5%	4.9%
Year to Date	0.8%	0.3%
1 Year	7.6%	7.7%
3 Years	9.1%	8.1%
5 Years	9.1%	8.4%
Since Inception	7.7%	7.6%

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

## FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.53% (Dec 2023)
Transaction Costs (TC)	0.08% (Dec 2023)
Total Investment Charge (TIC)	0.61% (Dec 2023)

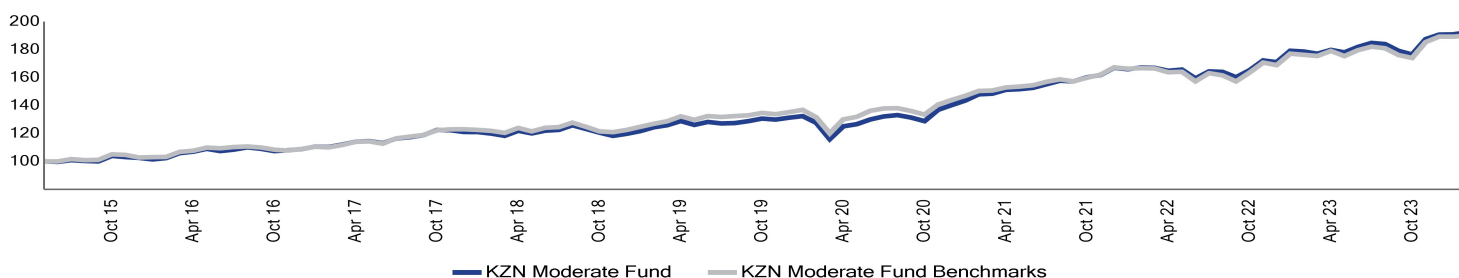
## BENCHMARK COMPOSITION

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
2023	4.8%	-0.3%	-0.9%	1.5%	-1.0%	2.2%	1.6%	-0.4%	-2.6%	-1.4%	6.2%	1.7%	11.5%
2024	0.1%	0.7%											0.8%

## CUMULATIVE INVESTMENT PERFORMANCE



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## CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2022	2.4%	1.0%
2023	11.5%	12.1%

## MANAGER ALLOCATION 29 FEBRUARY 2024

MANAGER	PERCENTAGE
Vunani	11.1%
BlackRock	11.1%
M&G - Global	10.0%
Ninety One Global Balanced Fund	7.6%
Coronation - Global Balanced	7.6%
Coronation Absolute Bond - SA Bonds	6.6%
Argon SA Equity Fund	4.8%
Stanlib	5.8%
Mianzo Capped Swix Active Equity Fund	3.8%
MAZI Capital SA Equity (Swix) Fund	3.7%
Coronation - SA Cash	3.3%
Taquanta Core Cash - KZN Municipal Pension Fund	3.3%
KZN Satrix SWIX Portfolio	2.9%
Garrington Capital (Coral Cove)	2.1%
Lima Mbeu Equity Portfolio	2.0%
Mergence Equity (Swix) Fund	1.9%
P1 Finance PLC	2.2%
MSM Property Fund (Pty) LTD	1.4%
SMMI Positive Return Fund Three B11	1.4%
Avior	1.3%
AFI Private Markets Fund	1.0%
Mahlako Energy Fund I Partnership	0.7%
Prescient Clean energy & Infrastructure Debt	1.0%
Old Mutual - SA Private Equity	0.6%
SPDR S&P Kensho New Economies Composite ETF	0.6%
ATA Fund 3	0.5%
Vuna	0.5%
KZN APEX	0.7%
UMTHOMBO Private Markets Fund	0.2%
Ascension Private Equity Fund I	0.2%
Infra Impact Mid-Market Infrastructure Fund 1	0.1%
Cash	0.1%