

KZN DEFENSIVE FUND

MARCH 2024

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

Global stock markets recorded their best first-quarter performance in five years, buoyed by hopes of a soft economic landing in the US and enthusiasm about artificial intelligence. This is working perfectly for our funds.

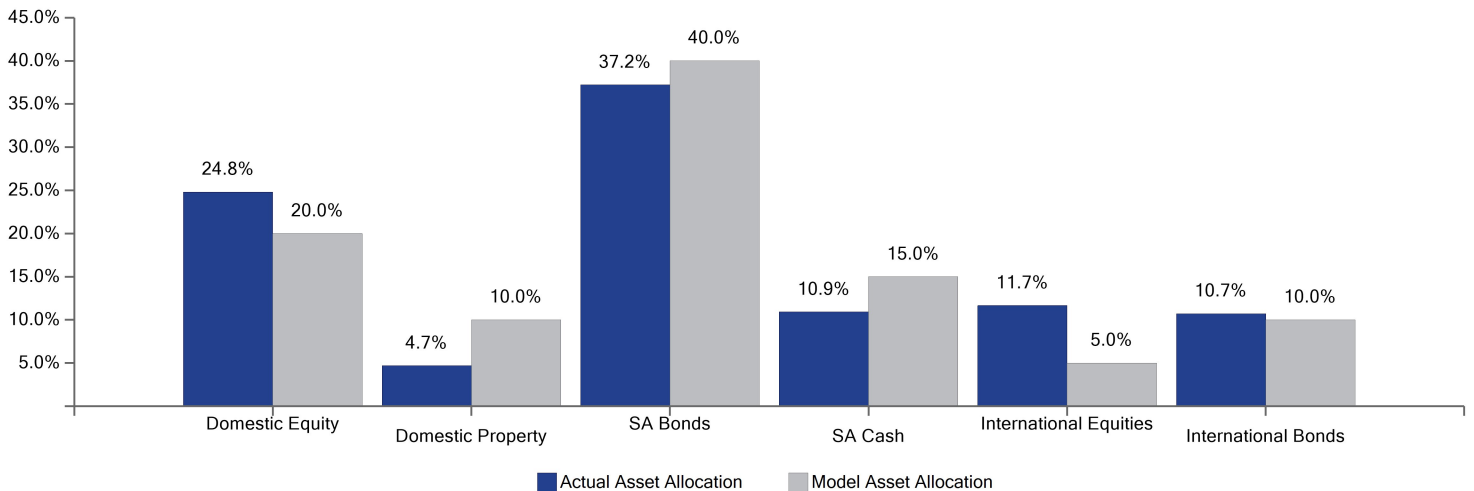
The Bank of Japan ended eight years of negative policy rates with its first hike in 17 years. The central bank set a new policy rate range of between 0% and 0.1%, shifting from -0.1% short-term interest. Despite Chinese stagnation, manufacturing green shoots are evident in the rest of the world. Taiwan's trade figures point to an improvement in global trade, and the Swedish krona's appreciation suggests global growth is improving.

US exceptionalism is supported by its energy independence. According to the US Energy Information Administration, the US produced 28% more oil in 2023 than the world's previous top producer, Russia, and 33% more than Saudi Arabia. US economic resilience will be tested by the lagged effects of monetary tightening, but a recession is unlikely in light of the room for monetary easing, a productivity resurgence and strong household balance sheets. The Fed is likely to cut three times this year.

Inflation expectations could increase in response to stronger economic growth or an oil spike related to geopolitics. Crude oil prices have risen steadily this month as Ukrainian drone attacks on Russian oil facilities are estimated to have shut down 7% of Russia's refining capacity. Vladimir Putin unsurprisingly won Russia's presidential election - the vote, which included the five Ukrainian regions occupied by Russia, was never in doubt after the Kremlin blocked any opposition candidates from running. Climate change also poses a risk to the inflation outlook. Our oceans have experienced record-breaking global sea surface temperatures, fuelling concerns of extreme weather patterns - any major weather event could cause supply chain disruptions and higher inflation. Election risks also loom large, both in South Africa on 29 May and in the US on 5 November. With Biden currently leading by 1% point, the US election will be closely contested.

We maintain an overweight position in US equities for now. The dollar may weaken due to narrower interest rate differentials or a rest of world growth recovery, but US elections and China weakness are likely to keep the dollar strong. The FTSE/JSE CAPPED SWIX Index increased by 2.9%, Industrials were up by 2.9% and Financials fell by 3.5%. The JSE All Bond Index dropped by 1.9%, while the rand appreciated by 1.3% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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FUND SUMMARY AS AT 31 MARCH 2024

STATISTIC	FUND	BENCHMARK
% Positive Months	65.0%	61.7%
% Negative Months	35.0%	38.3%
Worst Month	-7.3%	-11.3%
Best Month	5.3%	9.4%
Average Return	0.7%	0.6%
Median Return	0.6%	0.4%
Maximum Drawdown	-9.7%	-13.7%

PERFORMANCE ANALYSIS TO 31 MARCH 2024

PERIOD	FUND	BENCHMARK
1 Month	0.1%	-0.2%
3 Months	1.1%	0.5%
6 Months	7.5%	8.2%
Year to Date	1.1%	0.5%
1 Year	9.0%	7.8%
3 Years	8.8%	8.1%
5 Years	8.2%	7.2%
Since Inception	7.6%	6.4%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.45% (Dec 2023)
Transaction Costs (TC)	0.04% (Dec 2023)
Total Investment Charge (TIC)	0.50% (Dec 2023)

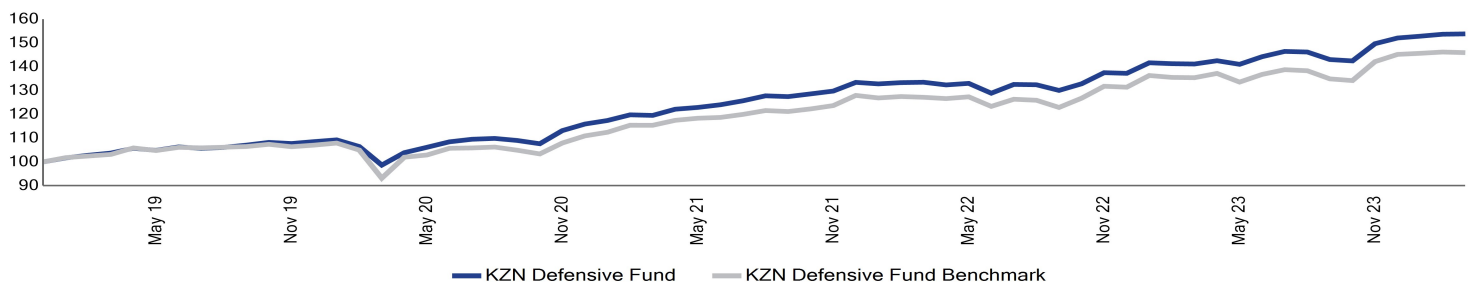
BENCHMARK COMPOSITION

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
2023	3.2%	-0.3%	-0.1%	1.0%	-1.1%	2.3%	1.5%	-0.2%	-2.2%	-0.4%	5.1%	1.6%	10.8%
2024	0.5%	0.5%	0.1%										1.1%

CUMULATIVE INVESTMENT PERFORMANCE



DISCLAIMER

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CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2022	2.8%	2.7%
2023	10.8%	10.5%

MANAGER ALLOCATION 31 MARCH 2024

MANAGER	PERCENTAGE
Vunani	18.6%
Coronation Absolute Bond - SA Bonds	11.2%
BlackRock	11.1%
Stanlib	9.7%
Coronation - SA Cash	5.4%
Taquanta Core Cash - KZN Municipal Pension Fund	5.4%
Argon SA Equity Fund	4.2%
MAZI Capital SA Equity (Swix) Fund	3.4%
Mianzo Capped Swix Active Equity Fund	3.3%
Garrington Capital (Coral Cove)	3.2%
M&G Global Bond Fund	3.2%
KZN Satrx SWIX Portfolio	2.6%
P1 Finance PLC	3.2%
SMMI Positive Return Fund Three B11	2.4%
MSM Property Fund (Pty) LTD	1.8%
Lima Mbeu Equity Portfolio	1.8%
Mergence Equity (Swix) Fund	1.7%
AFI Private Markets Fund	1.2%
Prescient Clean energy & Infrastructure Debt	1.2%
Old Mutual - SA Private Equity	0.8%
ATA Fund 3	0.6%
Vuna	0.6%
SPDR S&P Kensho New Economies Composite ETF	0.6%
KZN APEX	1.1%
UMTHOMBO Private Markets Fund	0.6%
Mahlako Energy Fund I Partnership	0.4%
Ascension Private Equity Fund I	0.3%
Infra Impact Mid-Market Infrastructure Fund 1	0.2%
Cash	0.1%