

# KZN MODERATE FUND

MARCH 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

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.

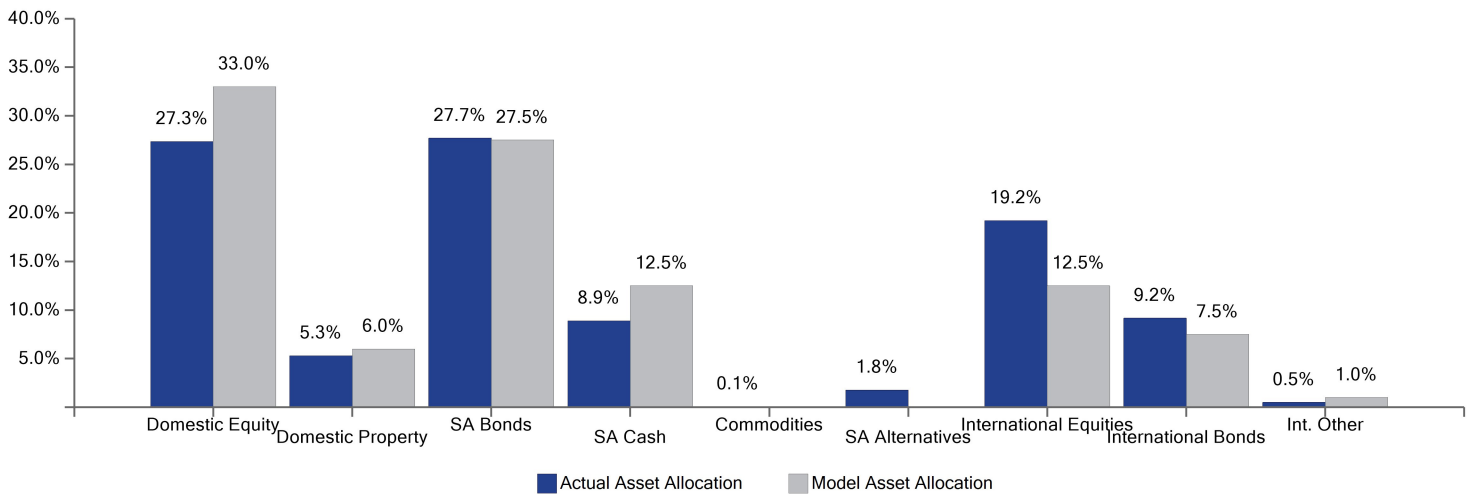
The Bank of Japan ended eight years of negative policy rates with its first hike in 17 years. The central bank set a new policy rate range of between 0% and 0.1%, shifting from -0.1% short-term interest. Despite Chinese stagnation, manufacturing green shoots are evident in the rest of the world. Taiwan's 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



### FRONT OFFICE CONTACT DETAILS

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## FUND SUMMARY AS AT 31 MARCH 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%	0.5%
Maximum Drawdown	-12.4%	-12.3%

## PERFORMANCE ANALYSIS TO 31 MARCH 2024

PERIOD	FUND	BENCHMARK
1 Month	0.8%	0.6%
3 Months	1.5%	0.9%
6 Months	8.1%	8.5%
Year to Date	1.5%	0.9%
1 Year	9.4%	8.9%
3 Years	9.3%	8.2%
5 Years	9.0%	8.2%
Since Inception	7.8%	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)

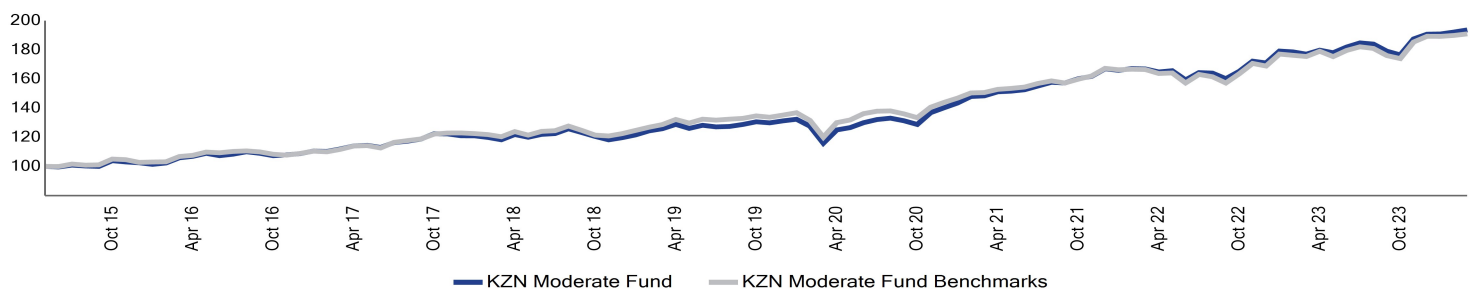
## BENCHMARK COMPOSITION

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%										1.5%

## 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 31 MARCH 2024

MANAGER	PERCENTAGE
Vunani	10.7%
BlackRock	12.2%
Coronation - Global Balanced	7.6%
Ninety One Global Balanced Fund	7.6%
M&G - Global	10.0%
Coronation Absolute Bond - SA Bonds	6.4%
Argon SA Equity Fund	4.8%
Stanlib	5.7%
MAZI Capital SA Equity (Swix) Fund	3.8%
Mianzo Capped Swix Active Equity Fund	3.8%
Coronation - SA Cash	3.3%
Taquanta Core Cash - KZN Municipal Pension Fund	3.3%
KZN Satrix SWIX Portfolio	2.9%
Garrington Capital (Coral Cove)	2.4%
Lima Mbeu Equity Portfolio	2.0%
Mergence Equity (Swix) Fund	1.9%
P1 Finance PLC	2.3%
MSM Property Fund (Pty) LTD	1.5%
SMMI Positive Return Fund Three B11	1.4%
AFI Private Markets Fund	1.0%
Mahlako Energy Fund I Partnership	0.8%
Prescient Clean energy & Infrastructure Debt	1.0%
SPDR S&P Kensho New Economies Composite ETF	0.7%
Old Mutual - SA Private Equity	0.6%
ATA Fund 3	0.5%
Vuna	0.5%
UMTHOMBO Private Markets Fund	0.5%
KZN APEX	0.4%
Ascension Private Equity Fund I	0.2%
Infra Impact Mid-Market Infrastructure Fund 1	0.2%