

KZN DEFENSIVE FUND

MAY 2025

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.

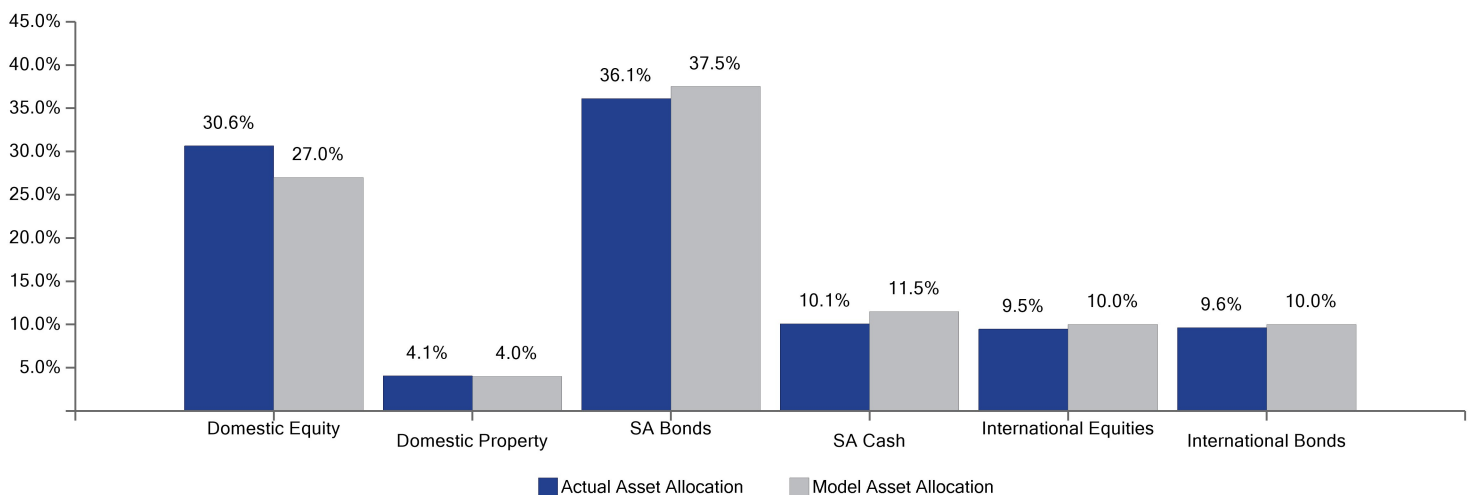
The portfolio complies with the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

MONTHLY COMMENTARY

Global markets showed signs of recovery in May, and the US dollar strengthened following announcements of key trade agreements. Even with the temporary tariff pause between the US and China and excluding EU tariffs of 50%, the average effective US tariff rate stands at about 13%. JPMorgan forecasts that core inflation (CPI) could rise to 7% in the coming months. Moody's joined Fitch (2023) and S&P (2011) in lowering the US from its top triple-A status. The downgrade cited declining fiscal metrics despite economic strengths. Part of the fiscal concern is Trump's "big, beautiful" tax bill, estimated to add \$3.8 trillion to public debt over the next decade. Unlike the 2011 S&P downgrade, which led investors to flock to US Treasuries and supported stocks and lowered bond yields, the current environment has seen a weakening dollar and rising bond yields. Rising inflation, falling growth, aggressive fiscal policy and credit downgrades have pushed bond yields higher and weakened the dollar. While Trump may not explicitly (or even secretly) want a weaker dollar, his actions are creating one. A US recession now appears unlikely, however.

The recent agreement between the US and China to roll back tariffs marks a significant de-escalation in trade tensions, while energy prices have remained low, supporting consumer and business spending, and US fiscal support is likely to increase next year. Markets are likely to face headwinds despite growth upgrades. The Euro area's purchasing managers index (PMI) has dropped to a six-month low, signalling slowing economic momentum. The current US tariff rate of 13.4% represents a substantial drag on trade, with estimates suggesting global GDP could be reduced by 0.5%. Downside risks persist, particularly if countries retaliate with a new round of tariffs. Growth will slow naturally into the middle of the year as global trade (which was front-loaded ahead of US tariffs) normalises, while heightened uncertainty has caused businesses to slow hiring and investment, which will lead to consumer caution as prices rise. Rising inflation and the US credit downgrade have pushed up bond yields, creating a challenging environment for stocks, as higher yields affect valuations and investor sentiment. The FTSE/JSE Capped SWIX Index improved by 3.0%, while Industrials and Financials rose by 4.0% and 2.1%. The JSE All Bond Index increased by 2.7% and the Rand strengthened 2.9% against the Dollar.

ACTUAL ASSET ALLOCATION



FRONT OFFICE CONTACT DETAILS

vusi@kznmfpf.org
16th Floor, 22 Dorothy Nyembe Street
The Marine Building
Durban Central
DURBAN, 4001
Tel. (031) 322 9002



KZN
MUNICIPAL PENSION FUND
Together We Grow Your Wealth

FUND SUMMARY AS AT 31 MAY 2025

STATISTIC	FUND	BENCHMARK
% Positive Months	71.7%	66.7%
% Negative Months	28.3%	33.3%
Worst Month	-3.1%	-3.2%
Best Month	5.1%	5.9%
Average Return	0.9%	0.9%
Median Return	0.8%	0.7%
Maximum Drawdown	-3.5%	-4.0%

PERFORMANCE ANALYSIS TO 31 MAY 2025

PERIOD	FUND	BENCHMARK
1 Month	1.3%	1.9%
3 Months	3.2%	4.5%
6 Months	5.5%	5.6%
Year to Date	4.7%	5.3%
1 Year	16.1%	18.3%
3 Years	11.0%	11.2%
5 Years	11.4%	11.2%
Since Inception	8.5%	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)	0.49% (Mar 2025)
Transaction Costs (TC)	0.04% (Mar 2025)
Total Investment Charge (TIC)	0.53% (Mar 2025)

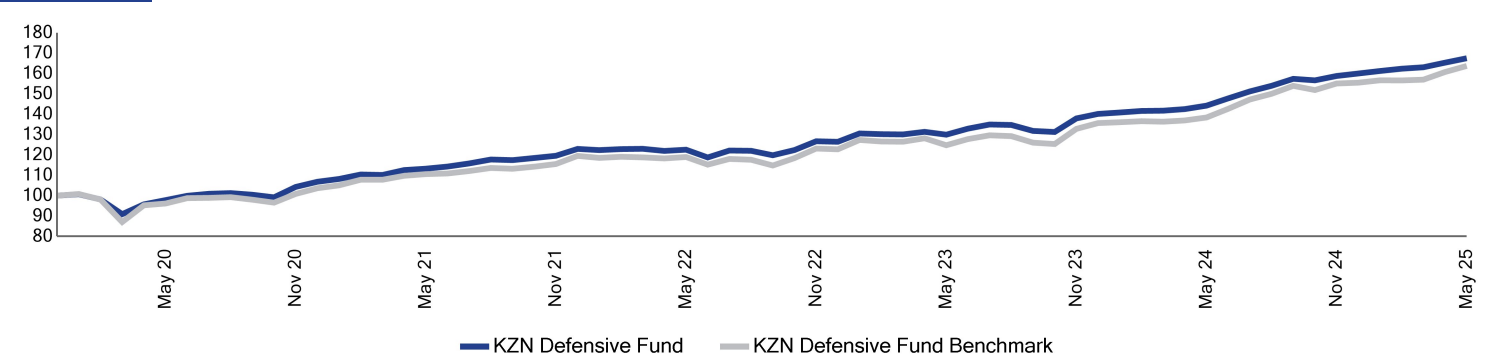
BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 17% Capped SWIX, 37.5% ALBI, 4% SAPY, 11.5% STeFI, 10% MSCI All Country World Index, 10% Barclays Global Agg Bond Index, 10% Private Market Composite

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2020	0.7%	-2.6%	-7.3%	5.3%	2.2%	2.2%	1.0%	0.3%	-0.8%	-1.3%	5.1%	2.4%	6.8%
2021	1.3%	2.0%	-0.2%	2.2%	0.6%	0.9%	1.3%	1.7%	-0.3%	0.9%	0.9%	2.8%	15.1%
2022	-0.5%	0.4%	0.1%	-0.8%	0.5%	-3.1%	2.9%	-0.1%	-1.8%	2.1%	3.5%	-0.2%	2.8%
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%	0.6%	1.2%	2.5%	2.3%	1.8%	2.2%	-0.5%	1.4%	0.8%	14.2%
2025	0.8%	0.7%	0.4%	1.4%	1.3%								4.7%

CUMULATIVE INVESTMENT PERFORMANCE



DISCLAIMER
The information and commentary contained in this document is of a general nature and is not intended to address the circumstances of a particular individual or entity. It does not in any way constitute a solicitation, recommendation, guidance or proposal, nor does it constitute financial, investment, tax, legal or other advice. Whilst reasonable care was taken in ensuring that the information is accurate, Sygnia Asset Management does not warrant its accuracy, correctness or completeness and accepts no liability in respect of any damages and/or loss suffered as a result of reliance on the information in this document. No one should act upon the information contained in this document without having obtained appropriate and professional financial, investment, legal, tax and such other relevant advice as may be required in each instance. Sygnia Asset Management is a licensed financial services provider (FSP 873): 7th Floor, the Foundry, Cardiff Street, Green Point, 8001 Tel: (021) 446 4940/Fax: (021) 446 4950

CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	3.6%
2021	15.1%	15.3%
2022	2.8%	2.7%
2023	10.8%	10.5%
2024	14.2%	14.6%

TOP 10 MANAGER ALLOCATION 31 MAY 2025

MANAGER	PERCENTAGE
Vunani	18.0%
Coronation Absolute Bond - SA Bonds	10.7%
Stanlib Bond Fund	7.4%
iShares Developed World Index Fund	6.6%
Taquantia Core Cash - KZN Municipal Pension Fund	5.0%
Coronation - SA Cash	5.0%
KZN Satrx SmartCore Portfolio	4.6%
Argon SA Equity Fund	4.3%
Garrington Private Credit Fund - Class B2 Shares	3.3%
Mianzo Capped Swix Active Equity Fund	3.2%
Other	31.8%