

KZN MODERATE FUND

MAY 2025

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.

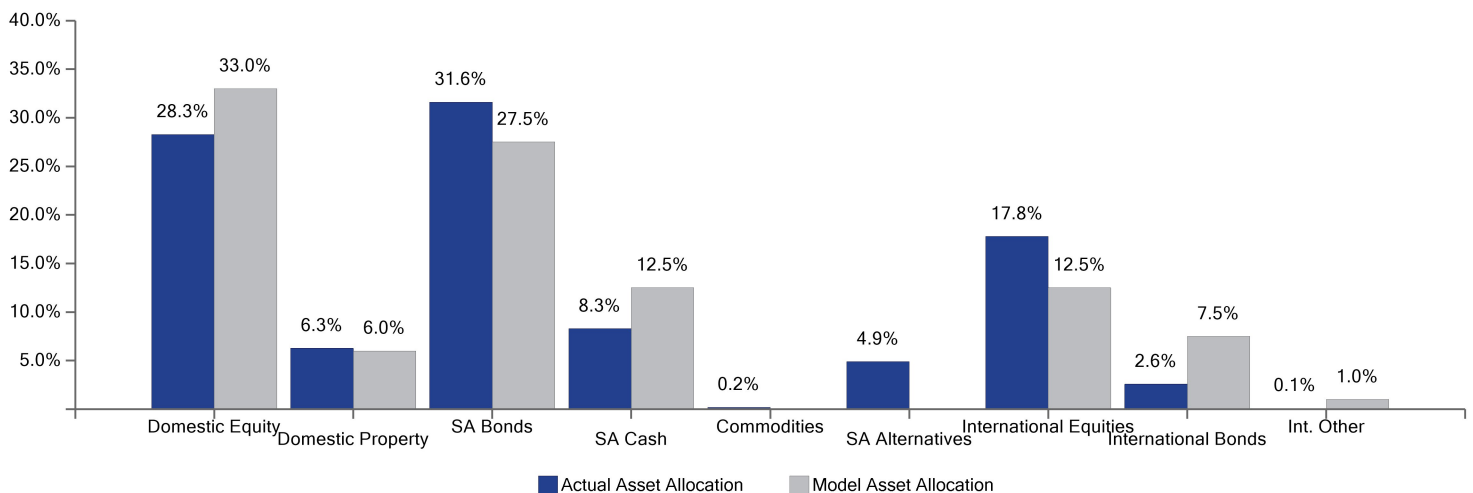
The portfolio complies with the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

MONTHLY COMMENTARY

Global 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



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KZN
MUNICIPAL PENSION FUND
Together We Grow Your Wealth

FUND SUMMARY AS AT 31 MAY 2025

STATISTIC	FUND	BENCHMARK
% Positive Months	71.7%	68.3%
% Negative Months	28.3%	31.7%
Worst Month	-3.8%	-4.2%
Best Month	6.3%	6.5%
Average Return	1.0%	1.0%
Median Return	1.0%	0.8%
Maximum Drawdown	-4.7%	-6.0%

PERFORMANCE ANALYSIS TO 31 MAY 2025

PERIOD	FUND	BENCHMARK
1 Month	1.8%	2.0%
3 Months	4.2%	5.4%
6 Months	6.8%	6.8%
Year to Date	5.8%	6.5%
1 Year	17.1%	18.9%
3 Years	11.8%	12.1%
5 Years	12.8%	11.9%
Since Inception	8.7%	8.7%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.55% (Mar 2025)
Transaction Costs (TC)	0.07% (Mar 2025)
Total Investment Charge (TIC)	0.62% (Mar 2025)

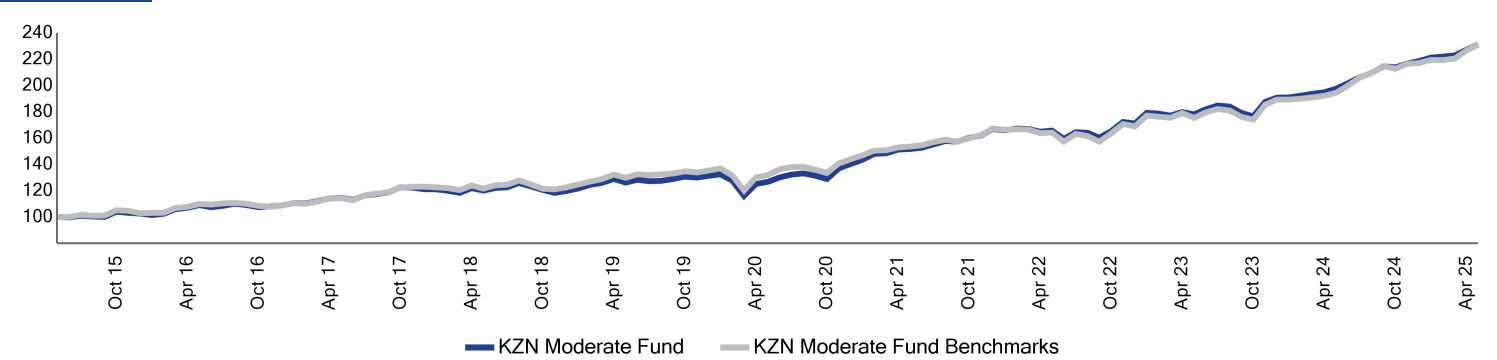
BENCHMARK COMPOSITION

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
2021	2.3%	3.1%	0.3%	1.9%	0.3%	0.6%	1.7%	1.6%	-0.3%	1.8%	1.0%	3.2%	19.1%
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%	-1.4%	6.2%	1.7%	11.5%
2024	0.1%	0.7%	0.8%	0.6%	1.4%	2.1%	2.2%	1.6%	2.4%	-0.4%	1.3%	0.9%	14.6%
2025	1.2%	0.3%	0.4%	1.9%	1.8%								5.8%

CUMULATIVE INVESTMENT PERFORMANCE



CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	6.4%
2021	19.1%	16.2%
2022	2.4%	1.0%
2023	11.5%	12.1%
2024	14.6%	14.7%

TOP 10 MANAGER ALLOCATION 31 MAY 2025

MANAGER	PERCENTAGE
Vunani	10.8%
iShares Developed World Index Fund	8.5%
Coronation Absolute Bond - SA Bonds	6.4%
KZN Satrix SmartCore Portfolio	6.1%
Argon SA Equity Fund	5.8%
Coronation Managed Portfolio	5.5%
Ninety One Global Balanced Fund	5.5%
M&G Investments Global Balanced Fund	5.5%
Stanlib Bond Fund	4.4%
Mianzo Capped Swix Active Equity Fund	4.2%
Other	37.2%

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