# KZN MONEY MARKET FUND

MAY 2025

The KZN Money Market Fund is a low risk fund that aims to achieve above average money market returns that perform in line with or slightly better than inflation over time.

The fund invests only in money market instruments and cash. Specialist asset managers are appointed to select the best money market instruments to investment in and the fund maintains a high degree of liquidity and capital preservation.

The fund has little or no chance of capital loss and is not expected to achieve any significant real growth of capital over the long-term. As a result, the fund is best suited to members who have a very short term (1 year or less) investment horizon. This fund is not appropriate for long term investing.

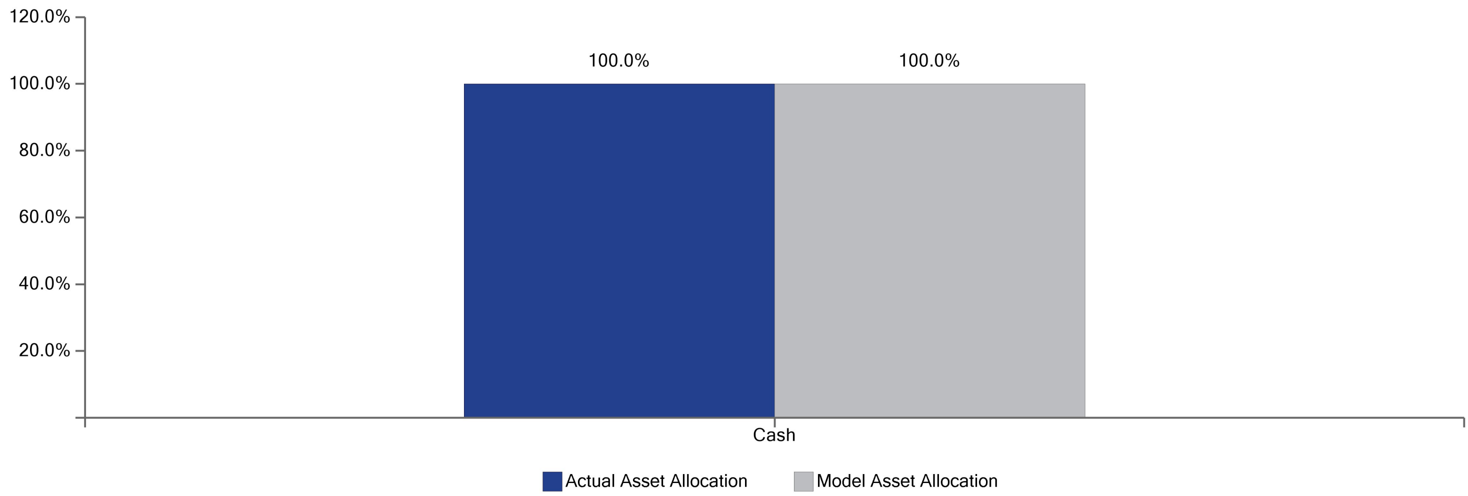
The portfolio complies with the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

## 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 | 100.0% | 100.0% |
| % Negative Months | 0.0% | 0.0% |
| Worst Month | 0.3% | 0.3% |
| Best Month | 0.9% | 0.7% |
| Average Return | 0.6% | 0.5% |
| Median Return | 0.6% | 0.5% |
| Maximum Drawdown | 0.0% | 0.0% |

## PERFORMANCE ANALYSIS TO 31 MAY 2025

| PERIOD | FUND | BENCHMARK |
|---|---|---|
| 1 Month | 0.7% | 0.6% |
| 3 Months | 2.2% | 1.9% |
| 6 Months | 4.5% | 3.9% |
| Year to Date | 3.7% | 3.2% |
| 1 Year | 9.5% | 8.1% |
| 3 Years | 8.9% | 7.7% |
| 5 Years | 7.3% | 6.2% |
| Since Inception | 7.9% | 7.0% |

Inception Date: 01 July 2007. Returns prior to inception are backtested.
Returns are net of the TIC.

## FEES

| | PERCENTAGE |
|---|---|
| Total Expense Ratio (TER) | 0.20% (Mar 2025) |
| Transaction Costs (TC) | 0.00% (Mar 2025) |
| Total Investment Charge (TIC) | 0.20% (Mar 2025) |

**BENCHMARK COMPOSITION**

KZN Money Market Fund Benchmark

## CALENDAR YEAR RETURNS

| PERFORMANCE | FUND | BENCHMARK |
|---|---|---|
| 2020 | 6.2% | 5.4% |
| 2021 | 4.8% | 3.8% |
| 2022 | 6.0% | 5.2% |
| 2023 | 9.0% | 8.0% |
| 2024 | 10.0% | 8.5% |

## MANAGER ALLOCATION 31 MAY 2025

| MANAGER | PERCENTAGE |
|---|---|
| Taquanta Core Cash - KZN Municipal Pension Fund | 49.9% |
| Coronation - SA Cash | 49.9% |
| Cash | 0.2% |

## HISTORICAL PERFORMANCE

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YEAR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | 0.7% | 0.6% | 0.7% | 0.7% | 0.5% | 0.5% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 6.2% |
| 2021 | 0.4% | 0.3% | 0.5% | 0.4% | 0.4% | 0.4% | 0.3% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 4.8% |
| 2022 | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.6% | 0.5% | 0.6% | 0.6% | 0.7% | 6.0% |
| 2023 | 0.7% | 0.6% | 0.7% | 0.6% | 0.7% | 0.8% | 0.8% | 0.8% | 0.4% | 0.9% | 0.8% | 0.8% | 9.0% |
| 2024 | 0.9% | 0.8% | 0.8% | 0.9% | 0.8% | 0.7% | 0.9% | 0.8% | 0.8% | 0.8% | 0.7% | 0.8% | 10.0% |
| 2025 | 0.8% | 0.7% | 0.7% | 0.8% | 0.7% | | | | | | | | 3.7% |

## CUMULATIVE INVESTMENT PERFORMANCE