

KZN MODERATE FUND

JANUARY 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

Geopolitical tensions in the Middle East have risen sharply after the US and UK launched airstrikes on Houthi targets in Yemen to stop it attacking ships in the Red Sea. This has triggered the biggest diversion of international trade in decades, rerouting ships away from the Suez Canal to take much longer and more expensive routes around southern Africa. Global supply chains have been disrupted and freight costs have surged. The probability of escalation in the Middle East has risen but is still not our base case. Impacts are limited for now, but maintaining this status is dependent on the timing of the reopening of the Suez Canal. Increasing geopolitical tensions in Russia/Ukraine have prompted NATO's allies to launch a series of military exercises called Steadfast Defender from February to May this year. It will be the largest such operation since the Cold War, with participation from 90 000 troops from all 31 allied countries and Sweden.

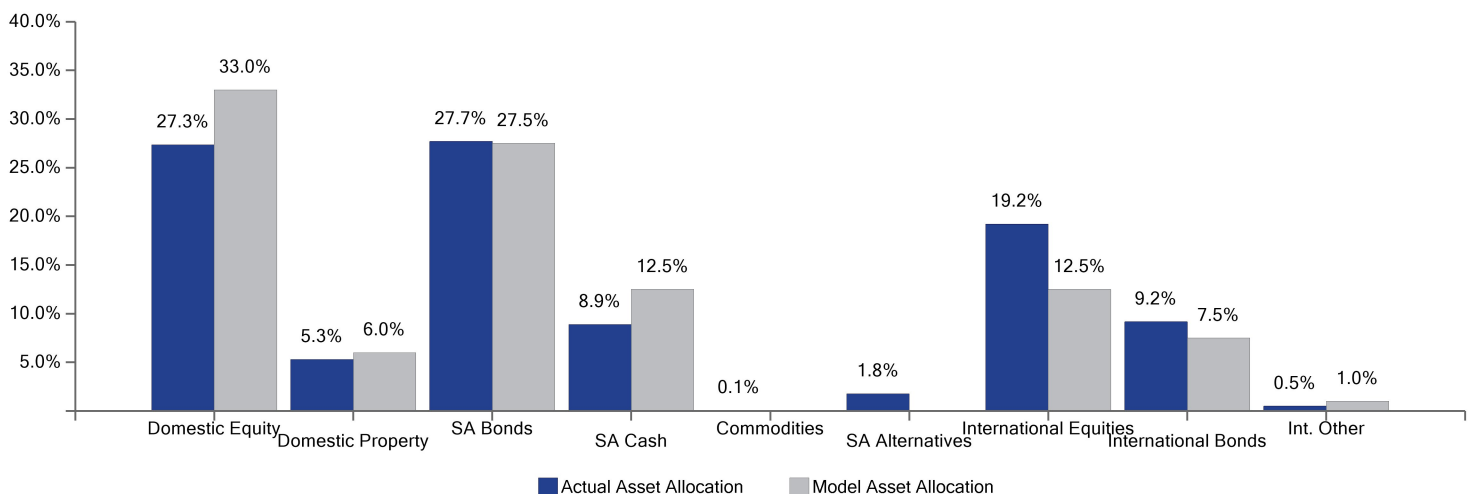
In South Africa, inflation fell to 5.1%, below expectations, and the February budget could see an increase to the wage bill, which would be negative - but we expect no major surprises. More significant is the election risk, tentatively scheduled for 22 or 29 May.

Chinese data continue to send deflationary signals. Although Q4 GDP came in at 5.2%, above the official target, it was below the expectation of 5.3%. The GDP deflator declined 1.5% year-on-year as China continues to export deflation. The property market is still deteriorating, with the contraction in new home prices and residential property sales deepening. China has announced a cut in the reserve rate requirement by 0.5%, which will provide 1 trillion yuan in liquidity. This cut is far above the 0.25% cuts seen throughout 2023 and signals a strong intention to support markets.

Economies (and labour demand) are likely to accelerate in developed economies over the next few months thanks to easier financial conditions, a pick-up in housing and a stabilisation in global manufacturing, but the unemployment rate should be monitored for signs of a recession in early 2025. Our base case is still no recession; as Covid effects move out, the economy will recover as rates are cut. We remain overweight US equities despite their valuation premium.

The FTSE/JSE CAPPED SWIX Index decreased by 2.8%, Industrials were down by 1.3% and Financials fell by 2.9%. The JSE All Bond Index improved by 0.7%, while the rand depreciated by 1.7% relative to the US dollar.

ACTUAL ASSET ALLOCATION



FRONT OFFICE CONTACT DETAILS

031 322 9002
Vusi.Ngcobo@durban.gov.za
SmartXchange Building | 5 Walnut Road | Durban | 4000

KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 JANUARY 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	0.9%	0.9%
Maximum Drawdown	-12.4%	-12.3%

PERFORMANCE ANALYSIS TO 31 JANUARY 2024

PERIOD	FUND	BENCHMARK
1 Month	0.1%	0.0%
3 Months	8.2%	8.8%
6 Months	3.3%	3.9%
Year to Date	0.1%	0.0%
1 Year	6.5%	6.9%
3 Years	10.0%	8.8%
5 Years	9.4%	8.7%
Since Inception	7.7%	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)	0.54% (Sep 2023)
Transaction Costs (TC)	0.08% (Sep 2023)
Total Investment Charge (TIC)	0.62% (Sep 2023)

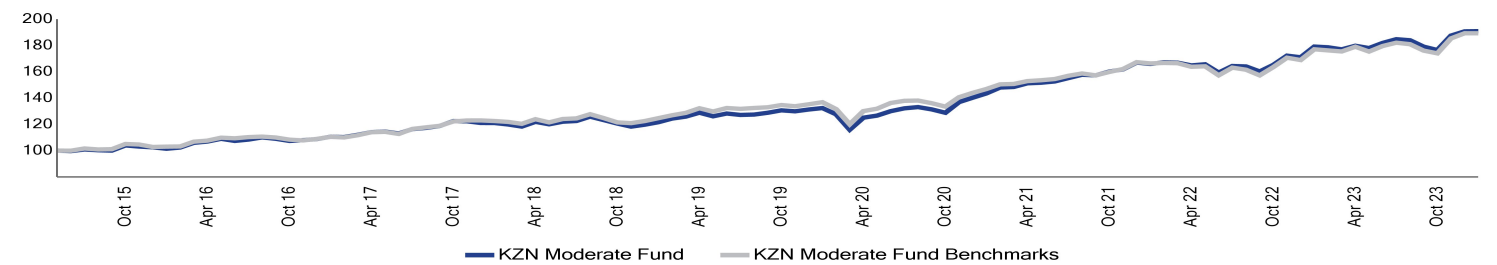
BENCHMARK COMPOSITION

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%												0.1%

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
2022	2.4%	1.0%
2023	11.5%	12.1%

MANAGER ALLOCATION 31 JANUARY 2024

MANAGER	PERCENTAGE
Vunani	11.1%
BlackRock	10.5%
M&G - Global	10.1%
Ninety One Global Balanced Fund	7.8%
Coronation - Global Balanced	7.8%
Coronation Absolute Bond - SA Bonds	6.7%
Argon SA Equity Fund	4.9%
Stanlib	5.9%
Mianzo Capped Swix Active Equity Fund	3.9%
MAZI Capital SA Equity (Swix) Fund	3.9%
Coronation - SA Cash	3.2%
Taquanta Core Cash - KZN Municipal Pension Fund	3.2%
KZN Satrux SWIX Portfolio	3.0%
Lima Mbeu Equity Portfolio	2.1%
Garrington Capital (Coral Cove)	2.0%
Mergence Equity (Swix) Fund	1.9%
P1 Finance PLC (listed bond)	1.7%
SMMI Positive Return Fund Three B11	1.5%
MSM Property Fund (Pty) LTD	1.4%
Avior Trading Account	1.4%
AFI Private Markets Fund	1.0%
Prescient Clean energy & Infrastructure Debt	1.0%
Mahlako Energy Fund I Partnership	0.6%
Old Mutual - SA Private Equity	0.5%
SPDR S&P Kensho New Economies Composite ETF	0.5%
ATA Fund 3	0.5%
Vuna	0.5%
KZN APEX 8.00% Senior Note	0.3%
P1 Finance PLC (3 year listed bond)	0.4%
UMTHOMBO Private Markets Fund	0.3%
Ascension Private Equity Fund I	0.2%
Infra Impact Mid-Market Infrastructure Fund 1	0.1%