

# KZN MONEY MARKET FUND

JANUARY 2024

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

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.

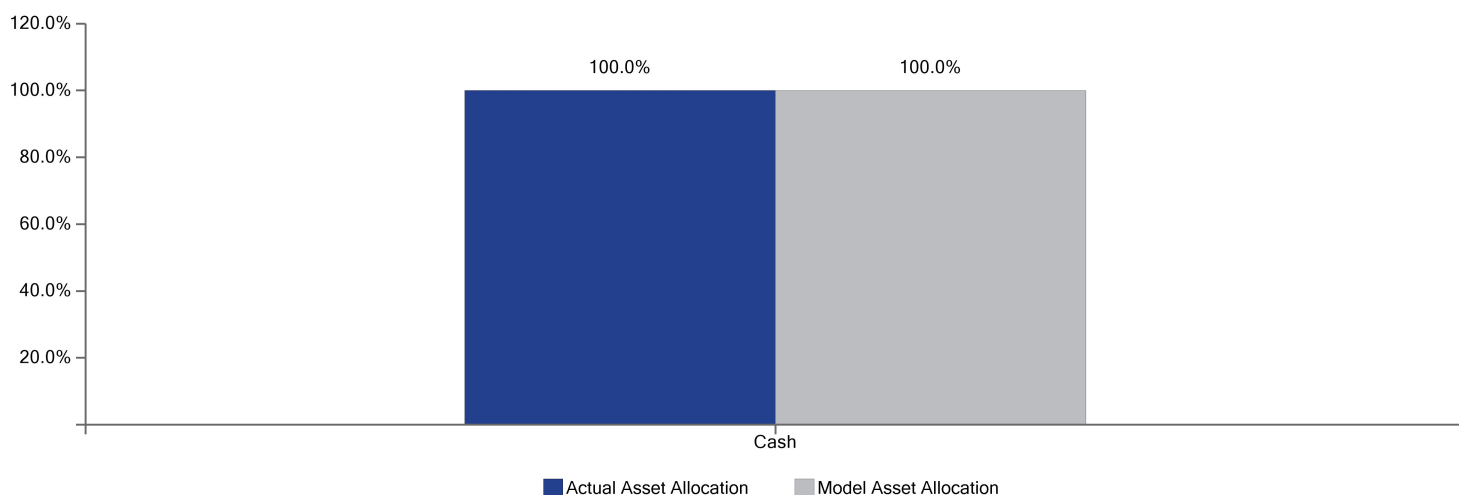
In South Africa, inflation fell to 5.1%, below expectations, and the February budget could see an increase to the wage bill, which would be negative - but we expect no major surprises. More significant is the election risk, tentatively scheduled for 22 or 29 May.

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

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**KZN**

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 JANUARY 2024

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 JANUARY 2024

PERIOD	FUND	BENCHMARK
1 Month	0.9%	0.7%
3 Months	2.4%	2.1%
6 Months	4.7%	4.2%
Year to Date	0.9%	0.7%
1 Year	9.1%	8.1%
3 Years	6.8%	5.8%
5 Years	6.9%	5.9%
Since Inception	7.7%	6.9%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.18% (Sep 2023)
Transaction Costs (TC)	0.00% (Sep 2023)
Total Investment Charge (TIC)	0.18% (Sep 2023)

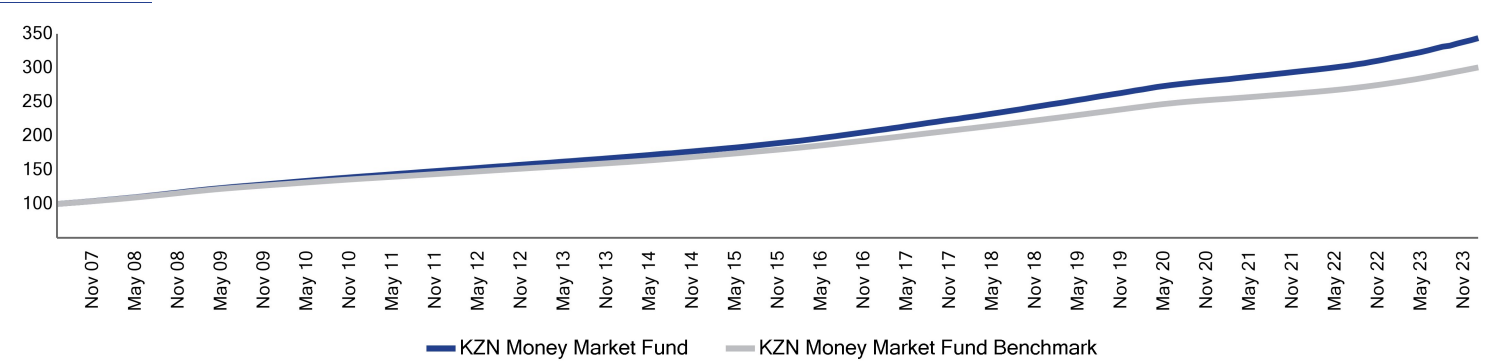
BENCHMARK COMPOSITION

KZN Money Market Fund Benchmark

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2019	0.7%	0.6%	0.6%	0.7%	0.7%	0.6%	0.7%	0.7%	0.6%	0.7%	0.6%	0.7%	8.3%
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%												0.9%

CUMULATIVE INVESTMENT PERFORMANCE



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CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2019	8.3%	7.3%
2020	6.2%	5.4%
2021	4.8%	3.8%
2022	6.0%	5.2%
2023	9.0%	8.0%

MANAGER ALLOCATION 31 JANUARY 2024

MANAGER	PERCENTAGE
Coronation - SA Cash	50.0%
Taquanta Core Cash - KZN Municipal Pension Fund	49.9%
Cash	0.1%