

KZN DEFENSIVE FUND

APRIL 2023

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

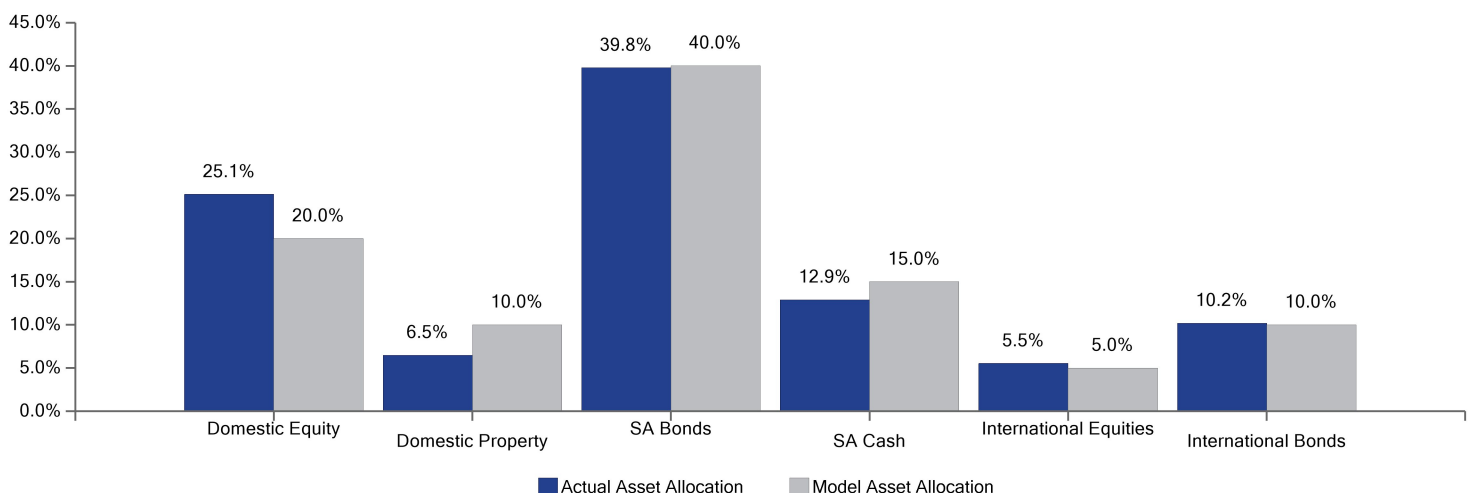
April offered a quiet reprieve from the black swan events of March. Falling US inflation, China's reopening and the abating European energy crisis have led to a pick-up in economic activity, as confirmed by the JP Morgan Global Composite PMI, which has been on the uptrend year to date. However, the World Economic Outlook of the International Monetary Fund lowered its global growth fall to 2.8% in 2023, with advanced economies growing at a paltry 1.3%.

China has urged the US to assess the spill over effects of its economic policies, with the Chinese Ministry of Foreign Affairs describing them as the "biggest challenge to global financial stability". Weaker-than-expected tax collections in the US have brought forward the debt ceiling's so-called X-date to somewhere in July. Japan, the ultra-accommodative policy game's forgotten player, is still sitting on a \$3 trillion pile of cheap money; Governor Ueda has little choice but to unwind Kuroda's experiment and potentially set off a flow-reversal shockwave. South Africans are reeling, with the last nine rate hikes seeing consumers paying 35% more on their home loans since the rate hike cycle started in late 2021. Finally, in global energy markets OPEC cut its output target again, by 1 million barrels per day. While this led to a temporary bounce in the oil price, production is far above quota. This demonstrates that targeting a cut and enforcing a cut are two different things.

The long-term effects of Covid, aggressive monetary intervention and geo-fragmentation are expected to push global GDP potential to a three-decade low by 2030. The IMF has warned that the global five-year growth outlook is at its weakest since 1990 - not surprisingly, given that world debt is close to record highs. The IMF estimates that trade fragmentation in the wake of events like Brexit, the US-China trade war and the Russian invasion of Ukraine could make the global economy 7% smaller than it would otherwise have been. Geopolitical risk remains high and we continue to expect heightened volatility. In the short term, market focus will be on when the Fed is expected to stop hiking rates. On average, markets have rallied from this point in the past.

The FTSE/JSE CAPPED SWIX Index increased by 3.4%, Industrials were up 3.2% and Financials improved by 3.3%. The JSE All Bond Index declined by 1.1%, while the rand depreciated by 3.1% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 30 APRIL 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	65.0%	63.3%
% Negative Months	35.0%	36.7%
Worst Month	-7.3%	-11.3%
Best Month	5.3%	9.4%
Average Return	0.6%	0.5%
Median Return	0.8%	0.6%
Maximum Drawdown	-9.7%	-13.7%

PERFORMANCE ANALYSIS TO 30 APRIL 2023

PERIOD	FUND	BENCHMARK
1 Month	1.0%	1.3%
3 Months	0.6%	0.6%
6 Months	7.3%	8.2%
Year to Date	3.9%	4.4%
1 Year	7.7%	8.4%
3 Years	11.1%	10.4%
5 Years	7.4%	6.3%
Since Inception	7.5%	6.4%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.44% (Dec 2022)
Transaction Costs (TC)	0.05% (Dec 2022)
Total Investment Charge (TIC)	0.49% (Dec 2022)

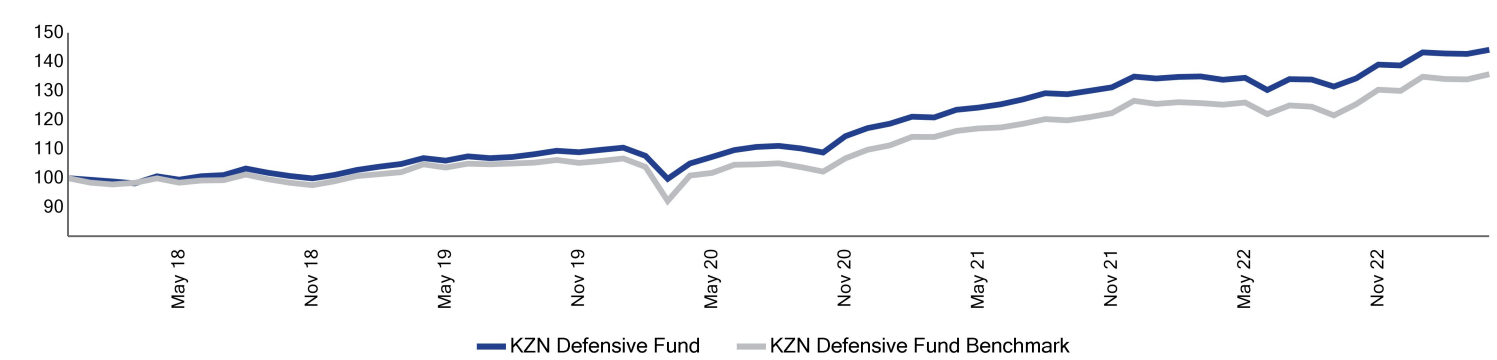
BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 21.4% Capped SWIX, 41.6% ALBI, 8.5% SAPY, 13.5% STeFI, 5% MSCI All Country World Index, 10% Barclays Global Agg Bond Index,

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
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%									3.9%

CUMULATIVE INVESTMENT PERFORMANCE



CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	3.6%
2021	15.1%	15.3%
2022	2.8%	2.7%

MANAGER ALLOCATION 30 APRIL 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	20.0%
Coronation - SA Cash	12.9%
Vunani	11.9%
Stanlib Bond Fund	7.9%
M&G Global Bond Fund	6.7%
Argon SA Equity Fund	5.0%
BlackRock - International Equity	4.6%
Mergence Equity (Swix) Fund	4.0%
MAZI Capital SA Equity (Swix) Fund	3.9%
P1 Finance PLC (listed bond)	3.6%
SMMI Positive Return Fund Three B11	3.3%
STANLIB Property Income Fund Class B3	3.2%
KZN Satrix SWIX Portfolio	3.1%
Lima Mbeu Equity Portfolio	2.0%
Mianzo Capped Swix Active Equity Fund	2.0%
MSM Property Fund (Pty) LTD	1.6%
AFI Private Markets Fund	1.1%
BlackRock MSCI Emerging Market Equity	0.8%
Prescient Clean energy & Infrastructure Debt I	0.7%
ATA Fund 3	0.6%
Prescient Clean energy & Infrastructure Debt II	0.3%
Old Mutual - SA Private Equity	0.3%
Vuna	0.3%
SPDR S&P Kensho New Economies Composite ETF	0.2%
Mahlako Energy Fund I Partnership	0.2%
Cash	0.1%
Avior Currency Hedge	-0.1%

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