KZN DEFENSIVE FUND

FEBRUARY 2023

The KZN Defensive Fund is a low risk fund that aims to balance the needs of members that are approaching retirement; topreserve 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.

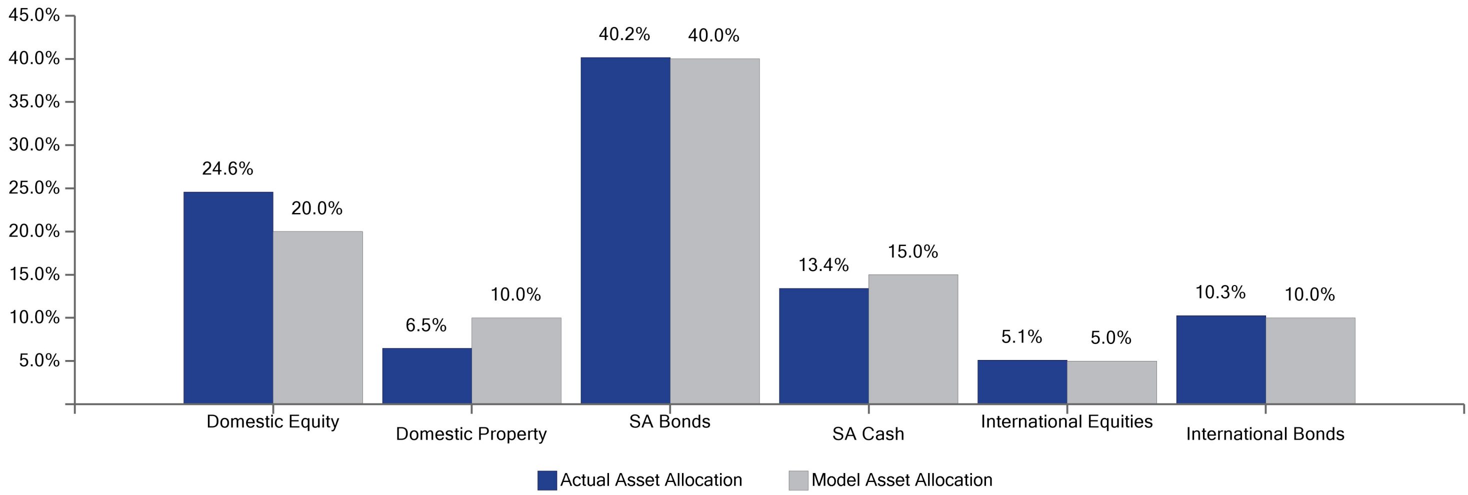
MONTHLY COMMENTARY

After January's euphoric performance, markets in February digested the moves and contemplated the array of risks faced by the global economy despite more stable demand. Through February, we continued to monitor three key global macro risks: the prospect of US inflation staying higher for longer, forcing the US Federal Reserve (Fed) to push the economy into a deep recession; the expanding impact of the Russia/Ukraine war on global markets via energy costs; and the lapse of judgement that sparked a geopolitical incident between China and the US. February brought no significant news on any of these risks, however: US inflation was only a little higher than expected, Russian forces made incremental progress in their assault on the Ukrainian city of Bakhmut and nothing emerged from the US and China's balloon races. In fact, most of the news in February was local, with the State of the Nation Address, Budget and grey listing updates reflecting in the rand's significant weakening over the month.

Looking forward, the February Market Purchasing Manager Index (PMI) surveys further evidenced a sustained rebalancing of the global economy as services continued to rebound and manufacturing remained in contraction. Barring any surprises from geopolitics, the main risk to the global economy is from central banks (mostly the Fed) pushing the world into recession with overaggressive monetary policy. This will generally only happen against the backdrop of a strong economy (underpinned by strong corporate earnings) or if inflation expectations become unanchored and start to rise. Current forecasts suggest the contrary: a weak US economy with weak earnings and stable inflation expectations. We therefore expect to see moderated policy conviction in the nearer term at least, which will only change if a combination of strong economic data and a reacceleration of inflation reignites the Fed's rate-hike resolve. While a US recession is likely, we still only see its emergence as probable in Q4 2023 or early in 2024. US resilience will probably lead to near-term strength in the dollar, supported by trends in two-year interest rate differentials. Longer term, the dollar remains expensive on a purchasing power parity basis and should depreciate. We have put additional protection measures in place in expectation of heightened volatility into the second quarter.

The FTSE/JSE CAPPED SWIX Index dropped by 2.3%, Industrials were up 1.7% and Financials increased by 2.5%. The JSE All Bond Index fell by 0.9%, while the rand depreciated by 5.3% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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FUND SUMMARY AS AT 28 FEBRUARY 2023

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

PERFORMANCE ANALYSIS TO 28 FEBRUARY 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.3%	-0.6%
3 Months	2.8%	2.8%
6 Months	6.7%	7.6%
Year to Date	3.0%	3.1%
1 Year	6.0%	6.3%
3 Years	9.9%	8.9%
5 Years	7.6%	6.5%
Since Inception	7.5%	6.3%

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)

CALENDAR YEAR RETURNS

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

MANAGER ALLOCATION 28 FEBRUARY 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	20.1%
Coronation - SA Cash	13.4%
Vunani	12.1%
Stanlib Bond Fund	8.0%
M&G Global Bond Fund	6.7%
Argon SA Equity Fund	4.9%
BlackRock - International Equity	4.2%
Mergence Equity (Swix) Fund	4.0%
MAZI Capital SA Equity (Swix) Fund	3.9%
P1 Finance PLC (listed bond)	3.5%
SMMI Positive Return Fund Three B11	3.3%
STANLIB Property Income Fund Class B3	3.2%
KZN Satrix SWIX Portfolio	3.0%
Lima Mbeu Equity Portfolio	2.0%
Mianzo Capped Swix Active Equity Fund	1.9%
MSM Property Fund (Pty) LTD	1.6%
AFI Private Markets Fund	1.1%
Prescient Clean energy & Infrastructure Debt I	0.7%
BlackRock MSCI Emerging Market Equity	0.7%
ATA Fund 3	0.6%
Prescient Clean energy & Infrastructure Debt II	0.3%
Old Mutual - SA Private Equity	0.3%
SPDR S&P Kensho New Economies Composite ETF	0.2%
Mahlako Energy Fund I Partnership	0.2%
Cash	0.1%

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%											3.0%

CUMULATIVE INVESTMENT PERFORMANCE