

KZN MODERATE FUND

JULY 2023

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.

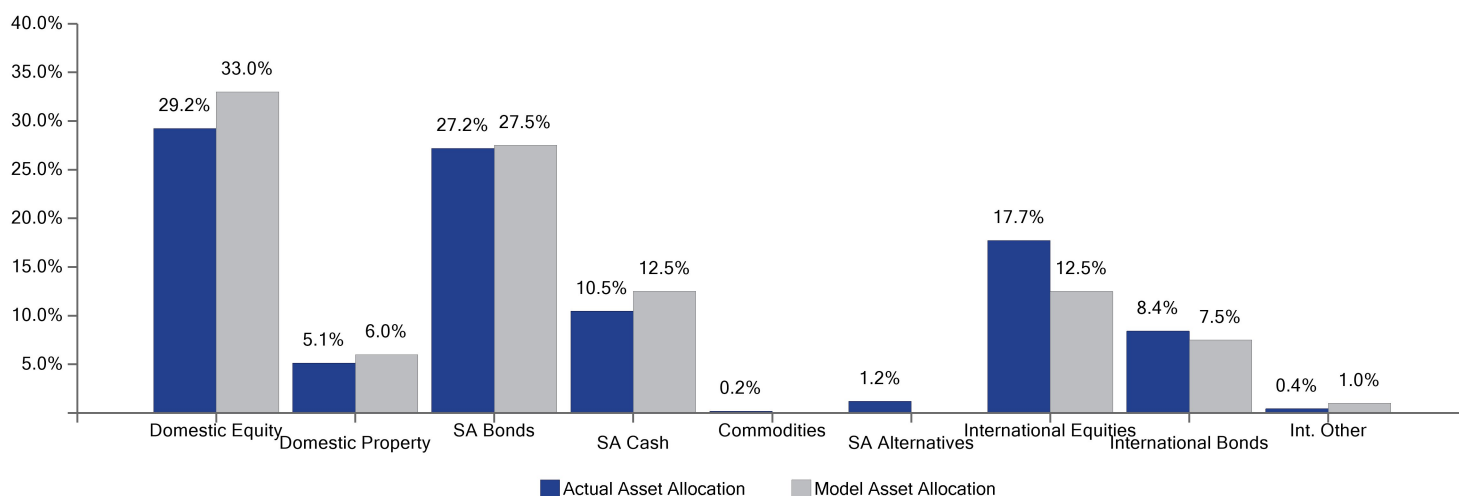
MONTHLY COMMENTARY

Global markets rallied on more good news about inflation and the prospects of a soft landing. The International Monetary Fund's July World Economic Outlook was slightly more upbeat than April, with global growth revised up to 3% for 2023 and 2024. Inflation is coming down and should continue to do so (though not in a straight line). This is positive for markets, as it suggests that central banks may not need to raise interest rates as aggressively as expected. Copper confirmed the stronger economic growth prospects by rising to a two-month high, and the US dollar index weakened to below the key 100 level as investors priced in faster rate cuts next year. The United Nations warned of soaring global public debt, which reached a record \$92 trillion - the consequence of vicious public debt growth through Covid is that 3.3 billion people now live in countries where interest payments exceed spending on healthcare or education. The rate hikes over the last year will take effect eventually, and investor outlook on the market is at its most divided in twenty years.

The outlook for markets is uncertain. China's reduced demand for capital investment relative to available domestic savings has pushed domestic interest rates to low levels and reduced pricing power, making China a source of global deflationary pressure. This has been good for global inflation, as the price of imported Chinese goods has fallen. The good news on inflation is a positive sign, and markets may rally further in the coming months before the lagged impacts of tightening take effect. However, the short-term resilience we anticipated in the US is likely coming to an end. The stock of excess household savings built up during the pandemic should be exhausted in the next few months, and consumer credit growth peaked eight months ago. Thirty-day delinquency rates for credit cards and home equity lines of credit are also rising. The outlook has never been so divided, but inflation appears to be under control and growth remains resilient. The developed world economy will slow towards the end of the year. The biggest risk is that as inflation and growth slow enough for rate cuts to begin, renewed geopolitical risks will push up energy and food prices and force rate hikes, crushing the globe into a deep recession.

The FTSE/JSE CAPPED SWIX Index increased by 4.1%, Industrials were up 2.8% and Financials rose by 7.9%. The JSE All Bond Index climbed by 2.3%, while the rand appreciated by 5.9% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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FUND SUMMARY AS AT 31 JULY 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	65.0%	65.0%
% Negative Months	35.0%	35.0%
Worst Month	-9.1%	-8.8%
Best Month	7.8%	8.3%
Average Return	0.7%	0.7%
Median Return	1.1%	1.1%
Maximum Drawdown	-12.4%	-12.3%

PERFORMANCE ANALYSIS TO 31 JULY 2023

PERIOD	FUND	BENCHMARK
1 Month	1.6%	1.4%
3 Months	2.8%	1.7%
6 Months	3.1%	2.8%
Year to Date	8.0%	7.8%
1 Year	12.4%	11.6%
3 Years	11.8%	9.7%
5 Years	8.6%	7.9%
Since Inception	7.8%	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)	0.53% (Mar 2023)
Transaction Costs (TC)	0.09% (Mar 2023)
Total Investment Charge (TIC)	0.62% (Mar 2023)

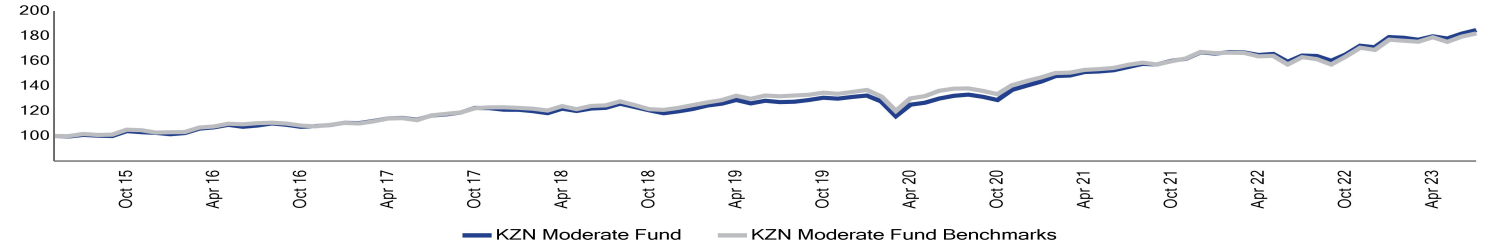
BENCHMARK COMPOSITION

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
2021	2.3%	3.1%	0.3%	1.9%	0.3%	0.6%	1.7%	1.6%	-0.3%	1.8%	1.0%	3.2%	19.1%
2022	-0.6%	0.7%	-0.2%	-1.2%	0.5%	-3.8%	3.2%	-0.2%	-2.3%	3.1%	4.2%	-0.7%	2.4%
2023	4.8%	-0.3%	-0.9%	1.5%	-1.0%	2.2%	1.6%						8.0%

CUMULATIVE INVESTMENT PERFORMANCE



CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	6.4%
2021	19.1%	16.2%
2022	2.4%	1.0%

MANAGER ALLOCATION 31 JULY 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	11.2%
Ninety One Global Balanced Fund	9.7%
Coronation - Global Balanced	9.7%
M&G - Global Balanced	9.7%
Coronation - SA Cash	7.2%
Vunani	6.7%
BlackRock - International Equity	5.8%
Argon SA Equity Fund	4.8%
Stanlib Bond Fund	4.4%
Mahlako Energy Fund I Partnership	4.2%
Mergence Equity (Swix) Fund	3.8%
M&G Global Bond Fund	3.6%
KZN Satrix SWIX Portfolio	2.9%
P1 Finance PLC (listed bond)	2.3%
Lima Mbeu Equity Portfolio	1.9%
Mianzo Capped Swix Active Equity Fund	1.9%
STANLIB Property Income Fund Class B3	1.7%
SMMI Positive Return Fund Three B11	1.6%
Avior Trading Account	1.4%
MSM Property Fund (Pty) LTD	1.3%
BlackRock MSCI Emerging Market Equity	1.0%
AFI Private Markets Fund	0.9%
Prescient Clean energy & Infrastructure Debt I	0.6%
ATA Fund 3	0.5%
SPDR S&P Kensho New Economies Composite ETF	0.4%
Old Mutual - SA Private Equity	0.3%
Vuna	0.3%
Prescient Clean energy & Infrastructure Debt II	0.3%
Transition Portfolio	0.1%
Avior Currency Hedge	-0.1%

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