

KZN DEFENSIVE FUND

MARCH 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.

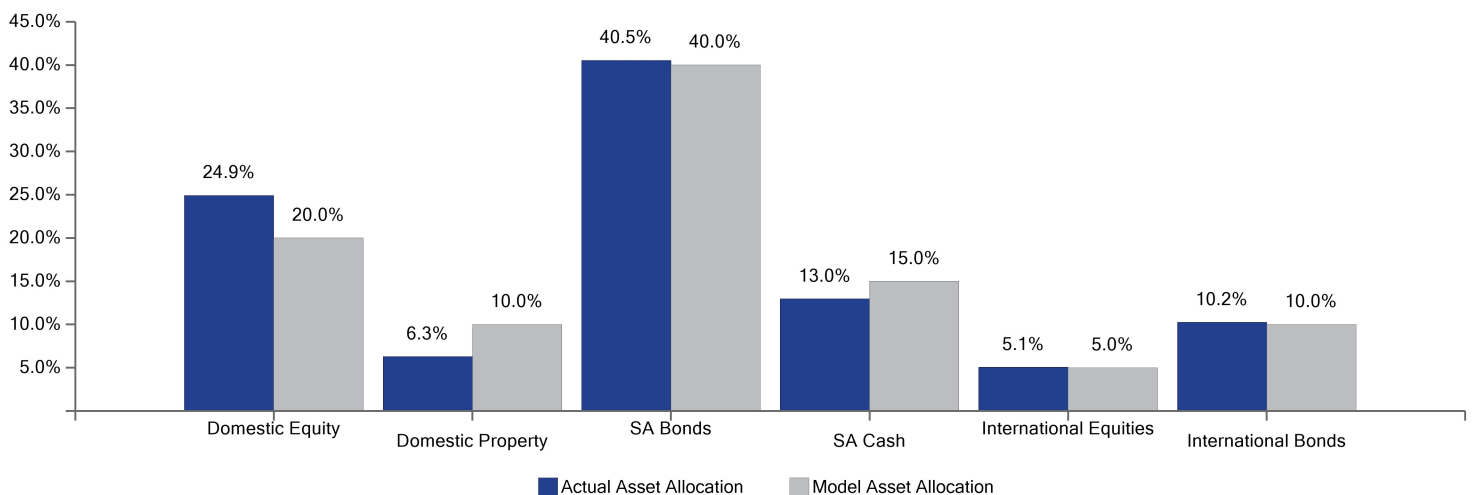
MONTHLY COMMENTARY

March got off to a difficult start as a higher-than-expected US Core Personal Consumption Expenditures Index added fuel to the Fed's hawkish fire, sending markets lower. Back-to-back failures of two US regional banks saw US two-year Treasury yields incur their steepest drop since the early 1980s, from above 5% to below 4%, causing the dollar to plummet. Only days later, a Swiss government-engineered takeover of Credit Suisse averted an immediate crisis among systemically important financial institutions (SIFIs), but market sentiment soured on the potential ongoing risks such institutions pose to the global economy. To this end, Credit Suisse in the EU and the SVB Financial Group in the US can be compared to other isolated pockets of tension over the last six months, including the failure of cryptocurrency exchange FTX.com and the UK's Liability Driven Investment (LDI) pension fund turmoil. These are all symptoms of massive Covid-induced monetary stimulus, and we have no doubt that more pockets of fragility exist. However, we do not believe that any such pockets of fragility will lead to another financial crisis, particularly as central banks have learned many lessons from the Global Financial Crisis (GFC) of 2008.

The GFC saw dollar strength and non-US equity fall relative to the S&P 500. Then, the dollar weakened after the Fed stepped in twice, and EMs outperformed the S&P 500 as rest-of-world growth was better insulated from the GFC. As a base case, if we skip the banking contagion this time round and the Fed still slows rate hikes because of the banking risk, dollar depreciation is likely and rest-of-world equities should outperform those of the US. This narrative is easily strengthened in light of China's reopening (still under way) and Europe's resilience to date in the face of their energy crisis. We are not out of the woods yet, but the "Fed put" is back. To provide financial stability, central bankers have decided to use interest rates to fight inflation and quantitative easing. A combination of higher inflation, higher rates and higher volatility is matching our forecasts and will lead to a weaker dollar, which is good for the rest of the world's liquidity, cost of capital and, hence, growth. However, a recession later in the year is still on the cards for the US.

The FTSE/JSE CAPPED SWIX Index dropped by 1.9%, Industrials were down 0.7% and Financials decreased by 5.8%. The JSE All Bond Index climbed by 1.3%, while the rand appreciated by 3.3% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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FUND SUMMARY AS AT 31 MARCH 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 31 MARCH 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.1%	-0.1%
3 Months	2.9%	3.0%
6 Months	8.5%	10.2%
Year to Date	2.9%	3.0%
1 Year	5.7%	6.5%
3 Years	12.7%	13.3%
5 Years	7.8%	6.4%
Since Inception	7.4%	6.2%

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)

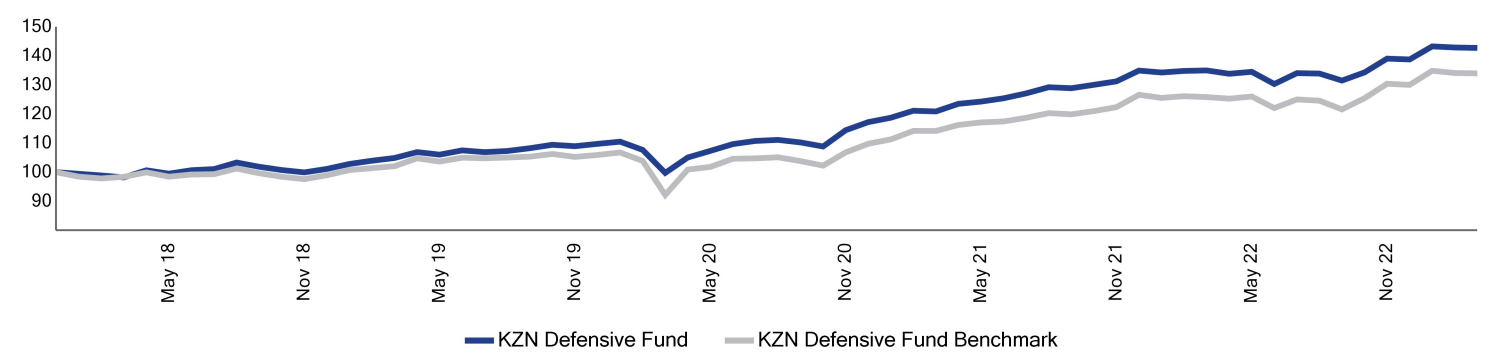
BENCHMARK COMPOSITION

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%										2.9%

CUMULATIVE INVESTMENT PERFORMANCE



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CALENDAR YEAR RETURNS

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

MANAGER ALLOCATION 31 MARCH 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	20.2%
Coronation - SA Cash	12.9%
Vunani	12.2%
Stanlib Bond Fund	8.1%
M&G Global Bond Fund	6.7%
Argon SA Equity Fund	4.9%
BlackRock - International Equity	4.1%
Mergence Equity (Swix) Fund	4.0%
MAZI Capital SA Equity (Swix) Fund	3.9%
P1 Finance PLC (listed bond)	3.4%
SMMI Positive Return Fund Three B11	3.2%
STANLIB Property Income Fund Class B3	3.1%
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%
Vuna	0.3%
SPDR S&P Kensho New Economies Composite ETF	0.2%
Mahlako Energy Fund I Partnership	0.2%
Avior Currency Hedge	0.2%
Cash	0.1%