

KZN MODERATE FUND

MARCH 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.

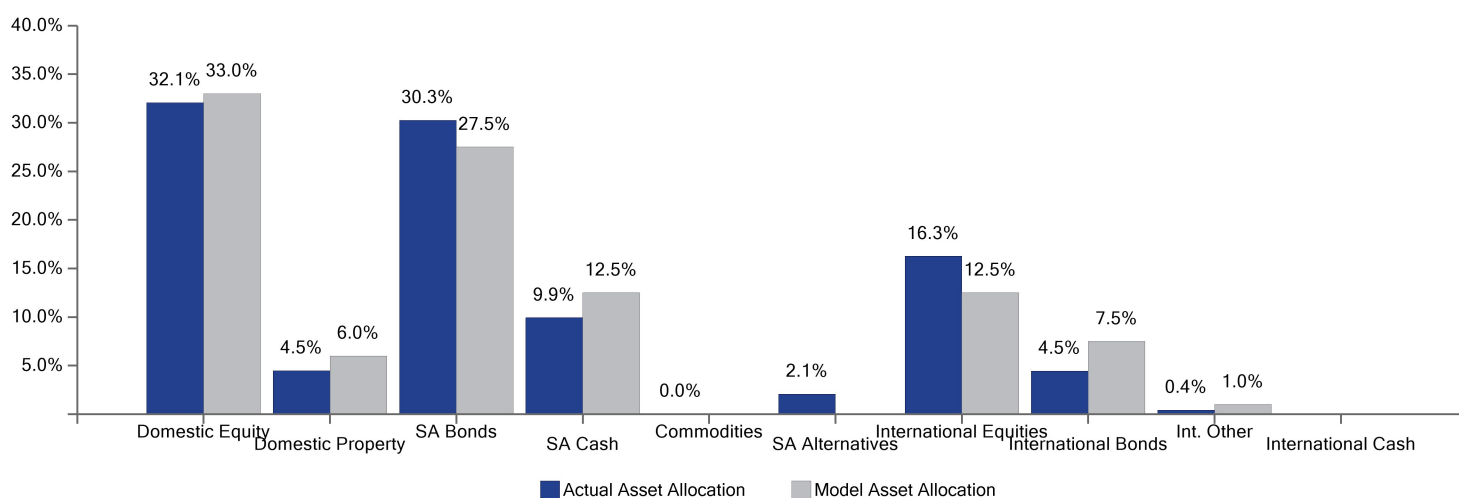
MONTHLY COMMENTARY

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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KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 MARCH 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	0.9%	0.9%
Maximum Drawdown	-12.4%	-12.3%

PERFORMANCE ANALYSIS TO 31 MARCH 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.9%	-0.5%
3 Months	3.5%	3.9%
6 Months	10.5%	11.6%
Year to Date	3.5%	3.9%
1 Year	6.1%	5.4%
3 Years	15.1%	13.5%
5 Years	8.4%	7.8%
Since Inception	7.6%	7.4%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.53% (Dec 2022)
Transaction Costs (TC)	0.09% (Dec 2022)
Total Investment Charge (TIC)	0.62% (Dec 2022)

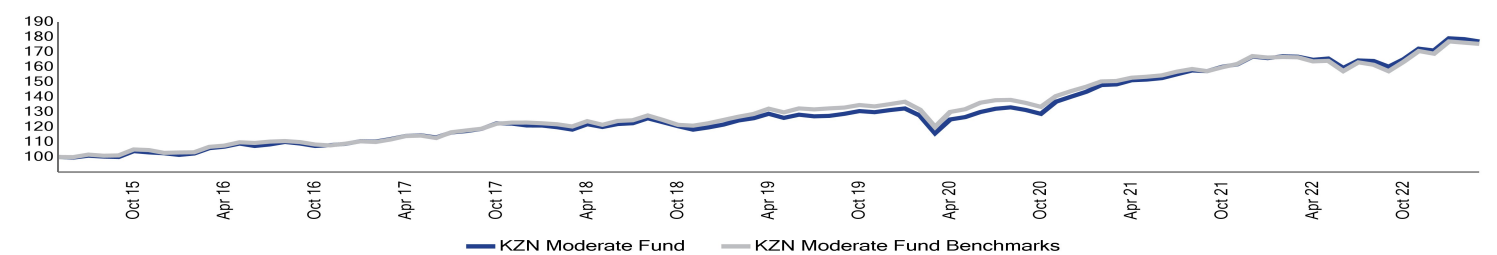
BENCHMARK COMPOSITION

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%										3.5%

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 MARCH 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	11.1%
Ninety One Global Balanced Fund	9.8%
Coronation - Global Balanced	9.8%
M&G - Global Balanced	9.7%
Coronation - SA Cash	7.5%
Vunani	6.7%
BlackRock - International Equity	5.5%
Argon SA Equity Fund	4.9%
Stanlib Bond Fund	4.4%
M&G Global Bond Fund	4.2%
Mergence Equity (Swix) Fund	3.9%
MAZI Capital SA Equity (Swix) Fund	3.9%
KZN Satrix SWIX Portfolio	3.0%
P1 Finance PLC (listed bond)	2.2%
Lima Mbeu Equity Portfolio	1.9%
Mianzo Capped Swix Active Equity Fund	1.9%
SMMI Positive Return Fund Three B11	1.8%
STANLIB Property Income Fund Class B3	1.7%
MSM Property Fund (Pty) LTD	1.4%
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	0.3%
Prescient Clean energy & Infrastructure Debt II	0.3%
Old Mutual - SA Private Equity	0.3%
Vuna	0.2%
Mahlako Energy Fund I Partnership	0.2%
Avior Currency Hedge	0.2%
Cash	0.1%
Transition Portfolio	0.1%

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