

KZN AGGRESSIVE FUND

MAY 2023

The KZN Aggressive Fund is an aggressive fund that aims to maximise investment returns over the longer term. The fund maintains a high exposure to growth assets, such as local and foreign equities and gains additional exposure to growth assets via investments in local property and private equity. 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 high allocation to growth assets, the fund has a high chance of capital loss in the short term, but is expected to achieve real growth of capital over the long-term. As a result, the fund is best suited to members who have a longer term (7 years or more) investment horizon.

The portfolio complies with the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

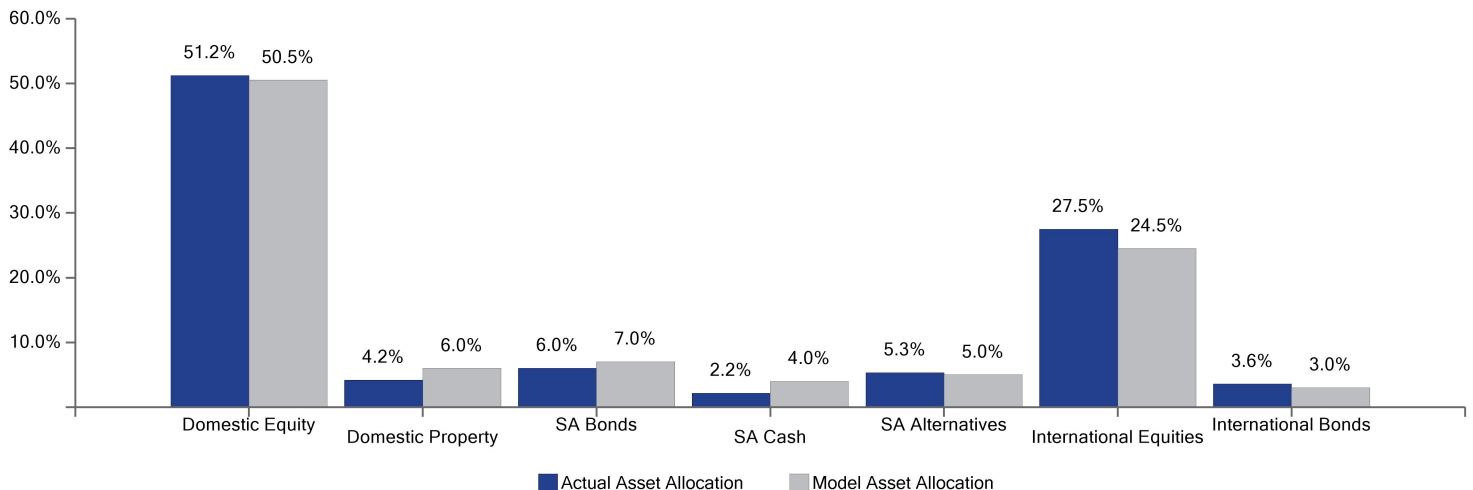
MONTHLY COMMENTARY

True to form, the market sold in May as seasonal midyear volatility ticked up, with many factors contributing to the weak month. In addition to idiosyncratic geopolitical events, economic data surprises turned negative, US debt ceiling talks seesawed and European inflation expectations surged. It was not all negative, however, and US corporate earnings continued to surprise to the upside. In fact, positive-earnings surprises of this magnitude are unprecedented when entering a recession. Russian crude oil flows to Asia hit a record high even after output cuts were promised, causing oil prices to fall further. Chinese economics showed a strong consumer. In general, a weaker dollar and falling commodity prices have kicked off a broad-based disinflationary process among emerging markets, allowing more monetary stimulus - but not in South Africa. On top of load shedding troubles, South Africa got caught up in a secret arms deal scandal with Russia, jeopardising US trade relations.

Leading economic indicators point to a recession in the US. As the Fed's tightening campaign and US bank failures restrict the flow of bank credit through the economy, demand and demand-driven inflation will subside. Elevated goods inflation will face further tailwinds as sticky supply chain bottlenecks clear out. Lower inflation will make the Fed's job easier once the economy slows and unemployment rises in the second half of the year. The Fed is unlikely to panic and raise rates further (which would force the economy into a deep recession), but inflation is not going away in the short term. We thus remain positioned for a higher-for-longer scenario in terms of inflation and interest rates and, as a necessary by-product, volatility. A prolonged pause is likely to see a downgrade to earnings, but a global recession remains unlikely. The average duration of manufacturing cycles is 18 months, which suggests the US manufacturing downturn is nearing its end. The outlook in the rest of the world continues to improve. We remain bearish on the dollar - not because the US may lose its dominant reserve status, but because the Fed will accept higher US inflation, and recovering European and Chinese economies should lead to stronger rest of world growth.

The FTSE/JSE CAPPED SWIX Index decreased by 5.8%, Industrials were down 3.1% and Financials dropped by 7.9%. The JSE All Bond Index declined by 4.8%, while the rand depreciated by 8.4% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 MAY 2023

STATISTIC	FUND	BENCHMARK
% Positive Months	63.3%	65.0%
% Negative Months	36.7%	35.0%
Worst Month	-10.3%	-11.9%
Best Month	9.7%	11.4%
Average Return	0.7%	0.8%
Median Return	1.0%	0.7%
Maximum Drawdown	-15.5%	-17.8%

PERFORMANCE ANALYSIS TO 31 MAY 2023

PERIOD	FUND	BENCHMARK
1 Month	-0.5%	-1.6%
3 Months	0.3%	0.4%
6 Months	3.4%	3.7%
Year to Date	5.3%	6.0%
1 Year	7.7%	8.3%
3 Years	14.7%	14.7%
5 Years	8.4%	8.7%
Since Inception	10.4%	10.6%

Inception Date: 31 August 2012. Returns prior to inception are backtested. Returns are net of the TIC.

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.44% (Mar 2023)
Transaction Costs (TC)	0.09% (Mar 2023)
Total Investment Charge (TIC)	0.53% (Mar 2023)

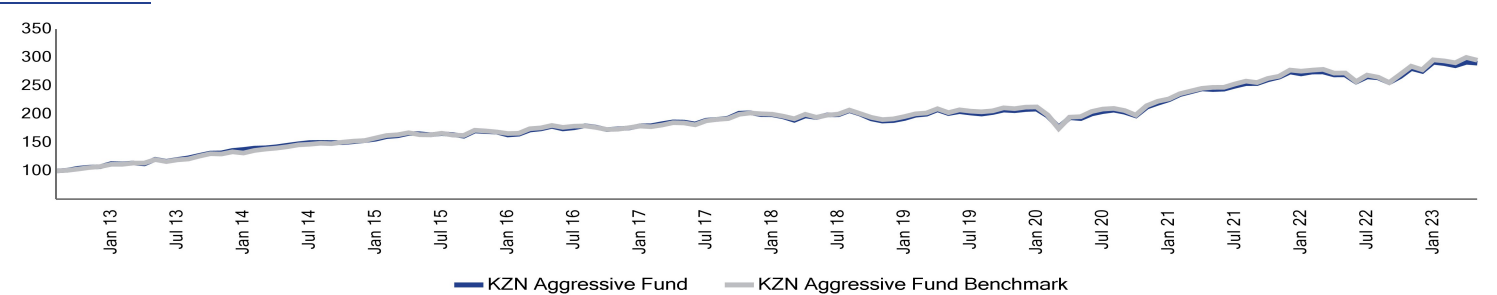
BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 50.3% Capped SWIX, 7.6% ALBI, 6% SAPY, 8.5% STeFI, 24.5% MSCI All Country World Index, 3% Barclays Global Agg Bond Index

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2021	2.8%	4.1%	2.1%	2.1%	-0.5%	0.3%	2.1%	1.8%	0.0%	2.6%	1.8%	3.4%	25.1%
2022	-1.2%	1.2%	0.1%	-1.9%	0.0%	-4.7%	3.5%	-0.7%	-3.2%	4.1%	5.4%	-1.8%	0.4%
2023	5.8%	-0.8%	-1.3%	2.1%	-0.5%								5.3%

CUMULATIVE INVESTMENT PERFORMANCE



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CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	5.3%	4.9%
2021	25.1%	24.7%
2022	0.4%	0.2%

MANAGER ALLOCATION 31 MAY 2023

MANAGER	PERCENTAGE
BlackRock - International Equity	21.7%
Argon SA Equity Fund	11.7%
Mergence Equity (Swix) Fund	9.3%
MAZI Capital SA Equity (Swix) Fund	9.1%
KZN Satrx SWIX Portfolio	7.1%
Old Mutual - SA Hedge Fund of Funds	5.3%
Lima Mbeu Equity Portfolio	4.6%
Mianzo Capped Swix Active Equity Fund	4.6%
BlackRock MSCI Emerging Market Equity	3.6%
Coronation Absolute Bond - SA Bonds	3.1%
Avior Trading Account	2.4%
M&G Global Bond Fund	2.2%
SMMI Positive Return Fund Three B11	2.1%
Coronation - SA Cash	2.1%
STANLIB Property Income Fund Class B3	2.0%
Vunani	1.8%
MSM Property Fund (Pty) LTD	1.4%
P1 Finance PLC (listed bond)	1.3%
SPDR S&P Kensho New Economies Composite ETF	1.2%
Stanlib Bond Fund	1.2%
AFI Private Markets Fund	1.0%
Prescient Clean energy & Infrastructure Debt I	0.6%
ATA Fund 3	0.5%
Old Mutual - SA Private Equity	0.4%
Vuna	0.4%
Prescient Clean energy & Infrastructure Debt II	0.3%
Mahlako Energy Fund I Partnership	0.2%
Cash	0.1%
Avior Currency Hedge	-1.4%