

KZN DEFENSIVE FUND

MAY 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.

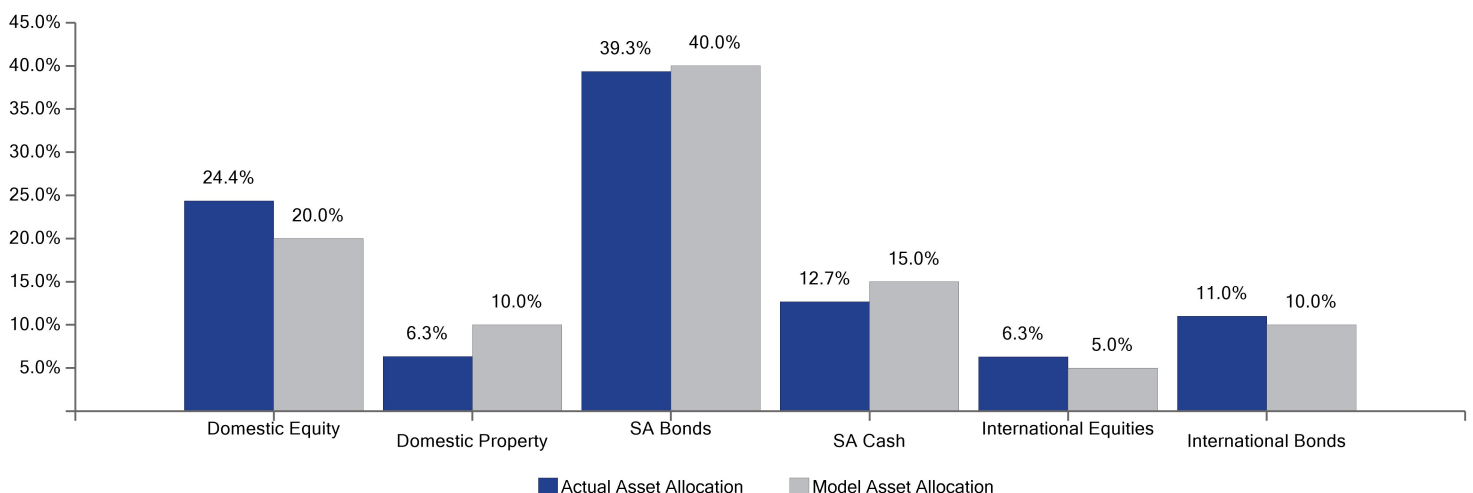
MONTHLY COMMENTARY

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



FRONT OFFICE CONTACT DETAILS

031 322 9002
Vusi.Ngcobo@durban.gov.za
SmartXchange Building | 5 Walnut Road | Durban | 4000

KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 MAY 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 MAY 2023

PERIOD	FUND	BENCHMARK
1 Month	-1.1%	-2.7%
3 Months	-0.2%	-1.5%
6 Months	2.6%	1.3%
Year to Date	2.8%	1.6%
1 Year	6.0%	4.9%
3 Years	9.9%	9.1%
5 Years	7.5%	6.1%
Since Inception	7.2%	5.9%

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% (Mar 2023)
Transaction Costs (TC)	0.05% (Mar 2023)
Total Investment Charge (TIC)	0.50% (Mar 2023)

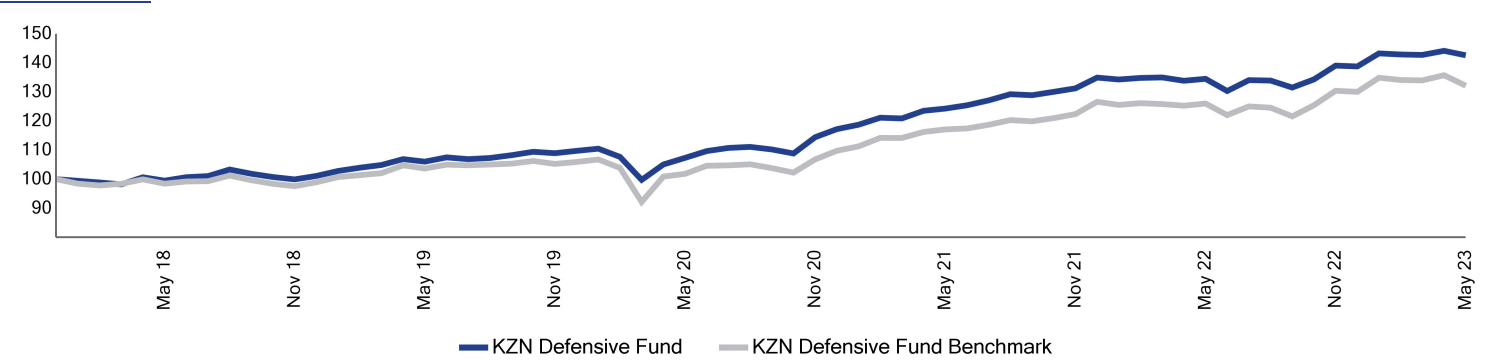
BENCHMARK COMPOSITION

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%	1.0%	-1.1%								2.8%

CUMULATIVE INVESTMENT PERFORMANCE



CALENDAR YEAR RETURNS

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

MANAGER ALLOCATION 31 MAY 2023

MANAGER	PERCENTAGE
Coronation Absolute Bond - SA Bonds	20.0%
Coronation - SA Cash	12.6%
Vunani	11.6%
Stanlib Bond Fund	7.7%
M&G Global Bond Fund	6.7%
BlackRock - International Equity	5.0%
Argon SA Equity Fund	4.8%
P1 Finance PLC (listed bond)	3.9%
Mergence Equity (Swix) Fund	3.8%
MAZI Capital SA Equity (Swix) Fund	3.7%
SMMI Positive Return Fund Three B11	3.2%
STANLIB Property Income Fund Class B3	3.1%
KZN Satrx SWIX Portfolio	2.9%
Lima Mbeu Equity Portfolio	1.9%
Mianzo Capped Swix Active Equity Fund	1.9%
MSM Property Fund (Pty) LTD	1.6%
Avior Trading Account	1.4%
AFI Private Markets Fund	1.1%
BlackRock MSCI Emerging Market Equity	0.8%
Prescient Clean energy & Infrastructure Debt I	0.7%
ATA Fund 3	0.6%
Old Mutual - SA Private Equity	0.4%
Vuna	0.4%
Prescient Clean energy & Infrastructure Debt II	0.3%
SPDR S&P Kensho New Economies Composite ETF	0.3%
Mahlako Energy Fund I Partnership	0.2%
Cash	0.1%
Avior Currency Hedge	-0.8%

DISCLAIMER
The information and commentary contained in this document is of a general nature and is not intended to address the circumstances of a particular individual or entity. It does not in any way constitute a solicitation, recommendation, guidance or proposal, nor does it constitute financial, investment, tax, legal or other advice. Whilst reasonable care was taken in ensuring that the information is accurate, Sygnia Asset Management does not warrant its accuracy, correctness or completeness and accepts no liability in respect of any damages and/or loss suffered as a result of reliance on the information in this document. No one should act upon the information contained in this document without having obtained appropriate and professional financial, investment, legal, tax and such other relevant advice as may be required in each instance. Sygnia Asset Management is a licensed financial services provider (FSP 873): 7th Floor, the Foundry, Cardiff Street, Green Point, 8001 Tel: (021) 446 4940/Fax: (021) 446 4950