

KZN ISLAMIC FUND

MAY 2023

The KZN Islamic Fund is a moderately aggressive fund that aims to provide steady long term returns and capital growth.

The fund is invested in a wide variety of domestic and international asset classes such as equity, sukuk and listed property. The selected asset managers have the freedom to select the allocation to each of these asset classes and the most attractive securities to invest in within each asset class.

The underlying investments will comply with Sharia requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as well as the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

Due to its relatively 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 (5 years or more) investment horizon.

This fund is suitable for Muslim investors requiring a Sharia-compliant portfolio appropriate for retirement schemes.

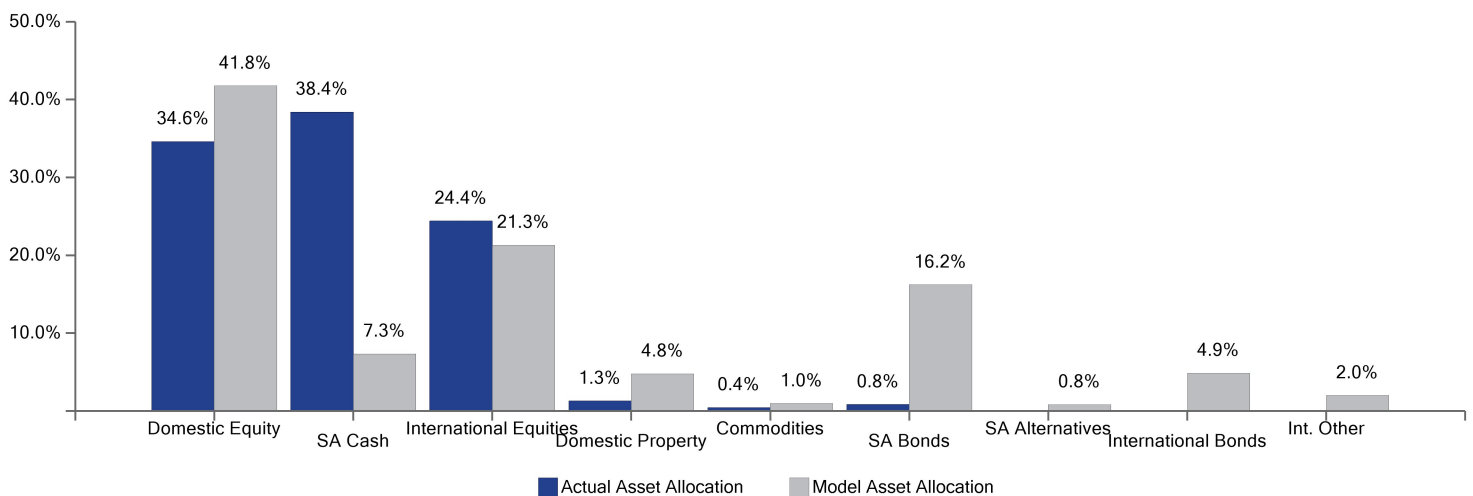
MONTHLY COMMENTARY

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 CAPED 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

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KZN

MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 31 MAY 2023

| STATISTIC | FUND | BENCHMARK |
|-------------------|--------|-----------|
| % Positive Months | 65.0% | 61.7% |
| % Negative Months | 35.0% | 38.3% |
| Worst Month | -8.1% | -10.3% |
| Best Month | 7.6% | 9.6% |
| Average Return | 0.8% | 0.6% |
| Median Return | 0.7% | 0.8% |
| Maximum Drawdown | -13.0% | -14.3% |

PERFORMANCE ANALYSIS TO 31 MAY 2023

| PERIOD | FUND | BENCHMARK |
|-----------------|-------|-----------|
| 1 Month | 0.6% | -0.5% |
| 3 Months | 2.9% | 0.4% |
| 6 Months | 5.7% | 5.0% |
| Year to Date | 7.0% | 6.1% |
| 1 Year | 7.5% | 8.2% |
| 3 Years | 15.1% | 10.2% |
| 5 Years | 9.7% | 6.3% |
| Since Inception | 7.7% | 7.2% |

Inception Date: 01 July 2007. Returns prior to inception are backtested.
Returns are net of the TIC.

FEES

| | PERCENTAGE |
|-------------------------------|------------------|
| Total Expense Ratio (TER) | 1.13% (Mar 2023) |
| Transaction Costs (TC) | 0.11% (Mar 2023) |
| Total Investment Charge (TIC) | 1.24% (Mar 2023) |

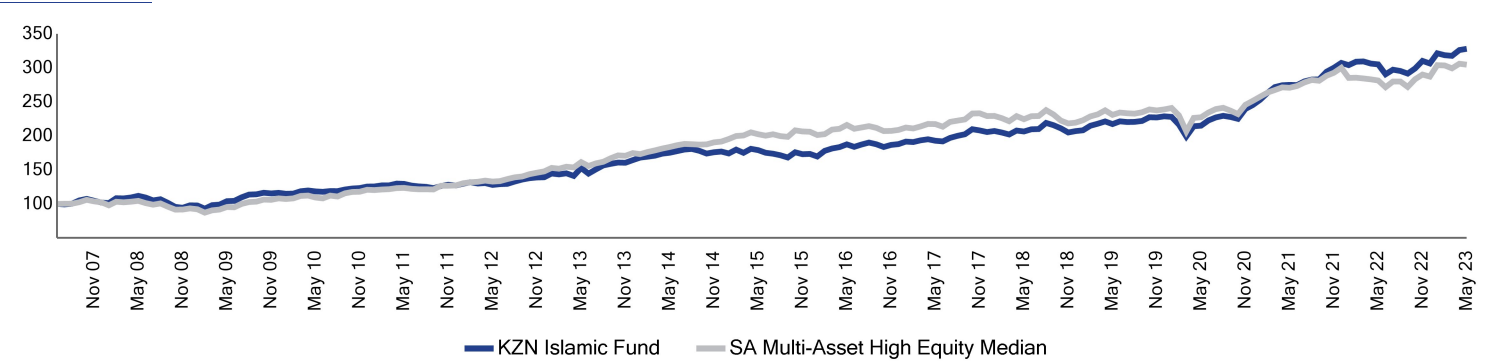
BENCHMARK COMPOSITION

SA Multi-Asset High Equity Median

HISTORICAL PERFORMANCE

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YEAR |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2018 | 0.7% | -1.1% | -1.4% | 2.9% | -0.7% | 1.6% | 0.2% | 4.3% | -1.5% | -2.2% | -2.9% | 1.0% | 0.7% |
| 2019 | 0.6% | 3.2% | 1.4% | 1.6% | -1.8% | 1.8% | -0.4% | 0.1% | 0.6% | 2.5% | -0.1% | 0.7% | 10.5% |
| 2020 | -0.4% | -5.0% | -8.1% | 7.6% | 0.4% | 3.6% | 2.0% | 1.1% | -0.8% | -1.2% | 6.4% | 2.4% | 7.2% |
| 2021 | 3.2% | 4.1% | 3.2% | 1.0% | 0.2% | -0.1% | 2.0% | 1.0% | 0.1% | 4.0% | 2.0% | 2.4% | 25.3% |
| 2022 | -1.1% | 1.6% | 0.1% | -1.0% | -0.4% | -4.8% | 2.3% | -0.6% | -1.3% | 2.6% | 3.7% | -1.2% | -0.3% |
| 2023 | 4.9% | -0.9% | -0.3% | 2.7% | 0.6% | | | | | | | | 7.0% |

CUMULATIVE INVESTMENT PERFORMANCE



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CALENDAR YEAR RETURNS

| PERFORMANCE | FUND | BENCHMARK |
|-------------|-------|-----------|
| 2018 | 0.7% | -4.2% |
| 2019 | 10.5% | 8.8% |
| 2020 | 7.2% | 5.3% |
| 2021 | 25.3% | 19.3% |
| 2022 | -0.3% | -4.3% |

MANAGER ALLOCATION 31 MAY 2023

| MANAGER | PERCENTAGE |
|-----------------------------------|------------|
| Old Mutual Albaraka Balanced Fund | 50.1% |
| Camissa - Islamic Balanced | 49.6% |
| Cash | 0.3% |