KZN AGGRESSIVE FUND

NOVEMBER 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 andprivate 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

Markets bounced strongly in November, with the Nasdaq up more than 10% , fuelled by signs of easing inflation and a potentially softening US labour market. Markets are finally seeing the end of the Federal Reserve's aggressive monetary tightening after it had raised rates by a cumulative 5.25 percentage points since March 2022, pushing mortgage rates to their highest level in two decades. Similarly, global growth was expected to slow to 2.1% in 2023, its lowest level since the 2008-09 financial crisis, but the most anticipated US recession of all time did not arrive, and 2023 growth is expected to be 2.9%. The markets are experiencing a Goldilocks period of slowing (but non-recessionary) growth and falling inflation. However, the risk of a global recession in 2024 has increased, as central banks around the world have raised interest rates to combat inflation.

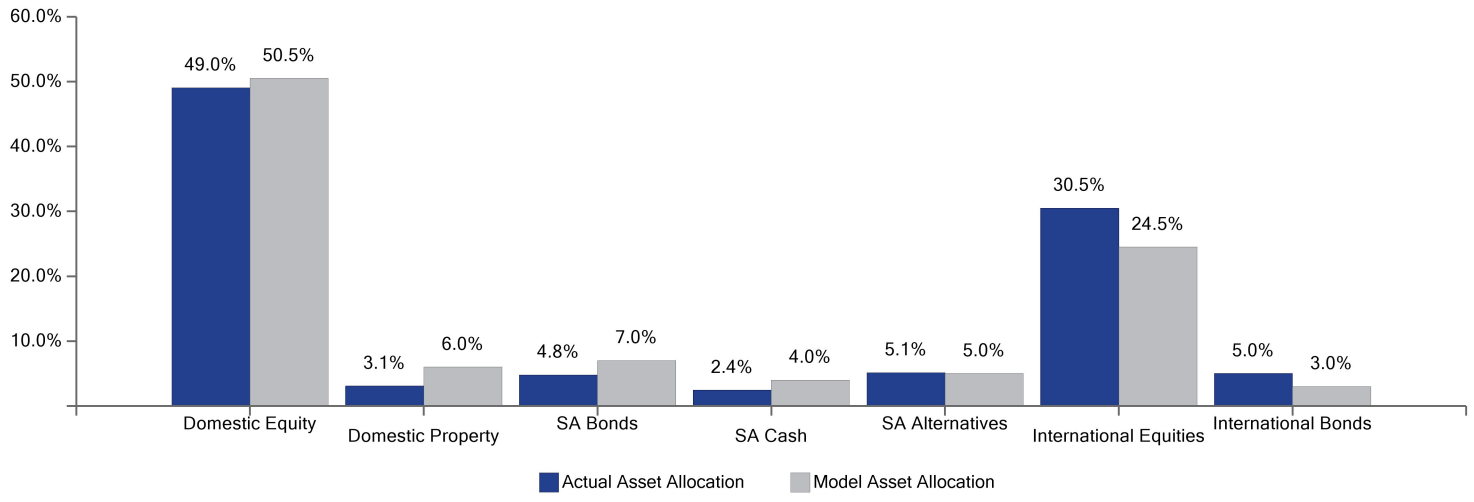
We expect the high-interest rate Table Mountain scenario to continue until the second half of 2024, tempered by slower growth and falling inflation. Inflation will fall on the back of reduced supply-bottlenecks, China's export of deflation, and strong, improved labour productivity. Growth will be supported by a robust consumer and a continuation of manufacturing green shoots

The US will thus avoid a recession. Global growth is predicted to reach 3.2% in 2024, but challenges like China's property slump and high rates keep our focus on developed markets. Key risks for 2024 include:

Risk of recession: High debt and rising interest rates could spark a recession, impacting stock markets and corporate earnings.
Geopolitical tensions: Escalating conflicts among major nations could lead to trade wars or military disputes, affecting the global economy and increasing inflation.
Political changes: The 2024 elections, particularly in the US and South Africa and Taiwan's 13 January election, may bring significant market impacts as a result of shifts in political dynamics.
Extreme weather threats: Climate change is leading to severe weather events, with significant disruptions to global supply chains possible.
Technological risks: Advancements in large language models offer benefits but also pose risks, especially in spreading misinformation.

The FTSE/JSE CAPPED SWIX Index increased by 8.3%, Industrials were up by 10.5% and Financials jumped by 8.7%. The JSE All Bond Index improved by 4.7%, while the rand depreciated by 1.1% relative to the US dollar.

ACTUAL ASSET ALLOCATION



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KZN MUNICIPAL PENSION FUND

FUND SUMMARY AS AT 30 NOVEMBER 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	0.9%	0.9%
Median Return	1.1%	0.7%
Maximum Drawdown	-15.5%	-17.8%

PERFORMANCE ANALYSIS TO 30 NOVEMBER 2023

PERIOD	FUND	BENCHMARK
1 Month	7.3%	8.1%
3 Months	1.3%	2.2%
6 Months	4.7%	5.0%
Year to Date	10.2%	11.4%
1 Year	8.2%	9.0%
3 Years	12.6%	13.0%
5 Years	10.1%	10.2%
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% (Sep 2023)
Transaction Costs (TC)	0.08% (Sep 2023)
Total Investment Charge (TIC)	0.53% (Sep 2023)

CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2021	25.1%	24.7%
2022	0.4%	0.2%

MANAGER ALLOCATION 30 NOVEMBER 2023

MANAGER	PERCENTAGE
BlackRock	27.0%
Argon SA Equity Fund	10.8%
MAZI Capital SA Equity (Swix) Fund	8.6%
Mianzo Capped Swix Active Equity Fund	8.6%
KZN Satrix SWIX Portfolio	6.6%
Old Mutual - SA Hedge Fund of Funds	5.1%
Lima Mbeu Equity Portfolio	4.5%
Mergence Equity (Swix) Fund	4.3%
Avior	2.4%
Vunani	2.4%
SMMI Positive Return Fund Three B11	1.5%
STANLIB	2.5%
Coronation Absolute Bond - SA Bonds	1.4%
SPDR S&P Kensho New Economies Composite ETF	1.4%
M&G Global Bond Fund	1.4%
Garrington Capital (Coral Cove)	1.4%
MSM Property Fund (Pty) LTD	1.3%
Coronation - SA Cash	1.2%
Taquanta Core Cash - KZN Municipal Pension Fund	1.2%
P1 Finance PLC (listed bond)	1.2%
AFI Private Markets Fund	0.9%
Prescient Clean energy & Infrastructure Debt I	0.7%
Old Mutual - SA Private Equity	0.6%
ATA Fund 3	0.5%
Vuna	0.4%
Cash	0.4%
Prescient Clean energy & Infrastructure Debt II	0.3%
UMTHOMBO Private Markets Fund	0.3%
P1 Finance PLC (3 year listed bond)	0.3%
Mahlako Energy Fund I Partnership	0.2%
KZN APEX 8.00% Senior Note	0.2%
KZN APEX 12.00% Junior Note	0.2%
Infra Impact Mid-Market Infrastructure Fund 1	0.1%

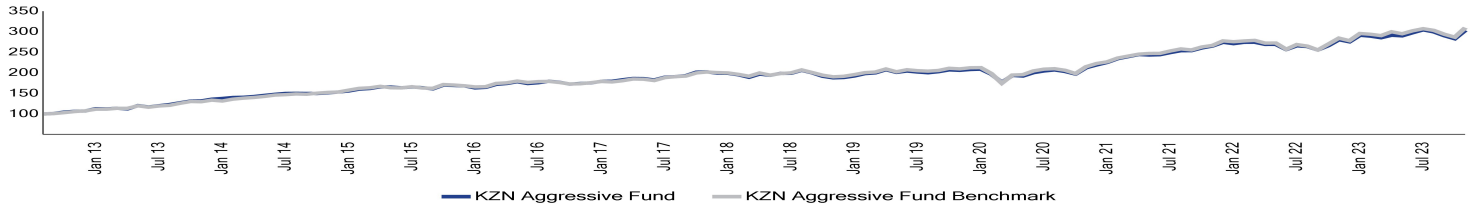
BENCHMARK COMPOSITION

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%	2.6%	2.4%	-1.6%	-3.1%	-2.5%	7.3%		10.2%

CUMULATIVE INVESTMENT PERFORMANCE



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