# KZN GLOBAL BALANCED PORTFOLIO

OCTOBER 2023

The KZN Global Balanced Fund is a moderately aggressive fund that aims to achieve above average returns over the longer term.

The fund makes use of a blend of three good quality asset managers who are mandated to invest across all local and foreign asset classes, via fully discretionary global balanced mandates. 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.

Due to its relatively high allocation to growth assets (such as local and foreign shares and private equity), 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.

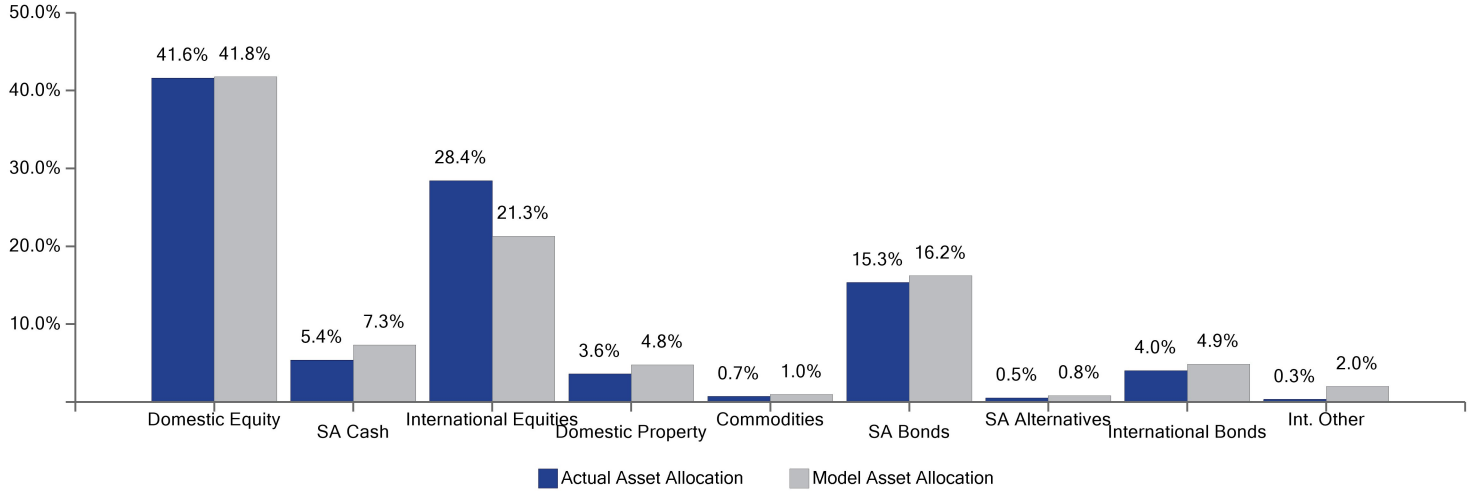
The portfolio complies with the prudential investment guidelines set out in Regulation 28 of the Pensions Funds Act.

## MONTHLY COMMENTARY

The Hamas attack and Israel's response to it have taken a heavy human toll, and more lives will be lost if the war spreads. The war introduces a new geopolitical risk for global investors, on top of the ongoing Russian-Ukraine war, and increases the probability of higher oil prices driving markets into recession. The US 10-year bond yield, a key benchmark for global interest rates, soared over 5% to its highest level since 2007, pushing the US dollar to one-year highs. This is a sign of growing investor angst as geopolitical risks rise and central banks are forced to maintain tight monetary policy due to higher-for-longer inflation. The International Monetary Fund has lifted its global inflation forecast for 2024, with inflation remaining above central bank targets until 2025. The sharp rise in bond yields and the overall tightening in financial conditions since August is equivalent to approximately 0.75% of Fed rate hikes, allowing the Fed to not hike rates. Global growth has stabilised, with the US remaining resilient, Chinese activity surprising to the upside and tentative signs of a European manufacturing recovery. Thus, while bond yields are showing more value, we are in a higher-for-longer world, which includes higher normalised bond yields.

Bond proxies such as Healthcare, Utilities and Staples have been hurt alongside bond prices, but gold rallied close to record highs of USD2 000 an ounce as a geopolitical safe haven and bitcoin surged in the month, rising above USD35 000 on speculation of the first US spot bitcoin ETF being approved in the coming weeks. Brenthurst political polls show the ANC's support dropping from 47% to 41% over the past year against a backdrop of an infrastructure and service delivery crisis. The Medium Term Budget Policy Statement was announced, with Finance Minister Enoch Godongwana declaring "Our public finances are significantly weaker." South Africa's debt-to-GDP has risen 47.2% over the last 15 years, compared to the average emerging market increase of 22.7%. With higher interest rates, this has driven the share of government expenses on interest payments to unsustainable levels. Our base case remains a soft landing. While the latest data point to stronger US households and business, geopolitical risks remain high, so we prefer to remain conservatively positioned. The FTSE/JSE CAPPED SWIX Index decreased by 2.9%, Industrials were down by 4.6% and Financials dropped by 2.2%. The JSE All Bond Index increased by 1.7%, while the rand appreciated by 0.5% relative to the US dollar.

## ACTUAL ASSET ALLOCATION

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KZN MUNICIPAL PENSION FUND

## FUND SUMMARY AS AT 31 OCTOBER 2023

| STATISTIC | FUND | BENCHMARK |
|---|---|---|
| % Positive Months | 63.3% | 65.0% |
| % Negative Months | 36.7% | 35.0% |
| Worst Month | -12.1% | -10.5% |
| Best Month | 11.1% | 9.7% |
| Average Return | 0.8% | 0.7% |
| Median Return | 1.1% | 0.9% |
| Maximum Drawdown | -16.3% | -14.8% |

## PERFORMANCE ANALYSIS TO 31 OCTOBER 2023

| PERIOD | FUND | BENCHMARK |
|---|---|---|
| 1 Month | -2.9% | -2.3% |
| 3 Months | -6.2% | -5.2% |
| 6 Months | -4.6% | -3.7% |
| Year to Date | 1.9% | 3.5% |
| 1 Year | 5.8% | 6.7% |
| 3 Years | 12.8% | 12.0% |
| 5 Years | 8.8% | 8.0% |
| Since Inception | 7.7% | 7.5% |

Inception Date: 01 February 2019. Returns prior to inception are backtested.
Returns are net of the TIC.

## FEES

| | PERCENTAGE |
|---|---|
| Total Expense Ratio (TER) | 0.73% (Jun 2023) |
| Transaction Costs (TC) | 0.15% (Jun 2023) |
| Total Investment Charge (TIC) | 0.87% (Jun 2023) |

**BENCHMARK COMPOSITION**

Global Large Manager Median

## CALENDAR YEAR RETURNS

| PERFORMANCE | FUND | BENCHMARK |
|---|---|---|
| 2019 | 11.9% | 10.9% |
| 2020 | 7.5% | 5.4% |
| 2021 | 23.9% | 22.0% |
| 2022 | 2.8% | 1.5% |

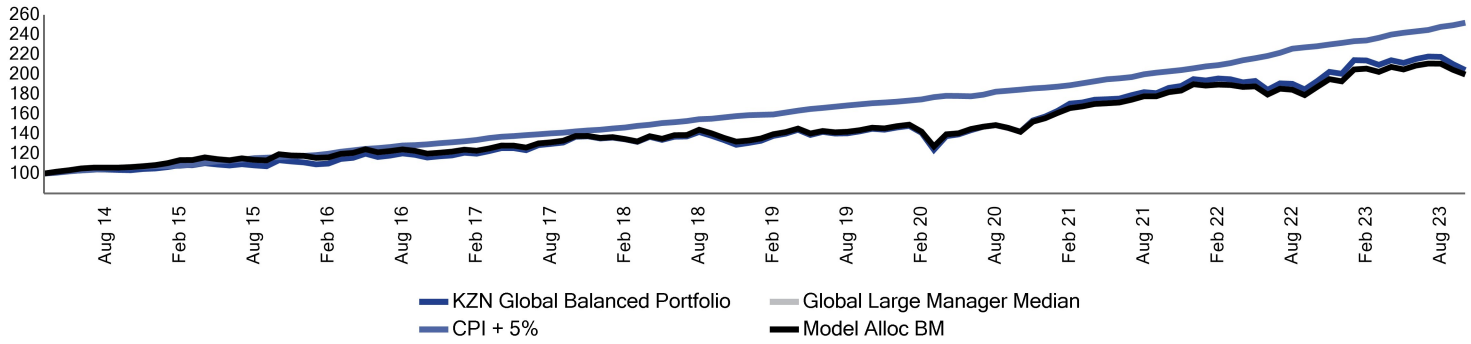
## MANAGER ALLOCATION 31 OCTOBER 2023

| MANAGER | PERCENTAGE |
|---|---|
| Coronation Managed Portfolio | 33.5% |
| Ninety One Global Balanced Fund | 33.3% |
| M&G Global Balanced Fund | 33.2% |

## HISTORICAL PERFORMANCE

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YEAR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 0.6% | -1.2% | -1.9% | 3.8% | -2.2% | 2.3% | 0.2% | 3.2% | -2.7% | -3.1% | -3.6% | 1.4% | -3.3% |
| 2019 | 1.7% | 3.7% | 1.7% | 2.8% | -3.6% | 2.2% | -1.2% | 0.2% | 1.4% | 1.8% | -0.6% | 1.5% | 11.9% |
| 2020 | 1.1% | -4.7% | -12.1% | 11.1% | 1.3% | 3.0% | 2.5% | 1.1% | -1.9% | -2.5% | 7.9% | 2.6% | 7.5% |
| 2021 | 3.6% | 4.5% | 0.7% | 1.6% | 0.3% | 0.4% | 2.0% | 1.7% | -0.6% | 2.9% | 1.0% | 3.7% | 23.9% |
| 2022 | -0.7% | 1.0% | -0.4% | -1.6% | 0.7% | -4.6% | 3.5% | -0.2% | -3.0% | 4.5% | 4.9% | -0.9% | 2.8% |
| 2023 | 6.8% | -0.2% | -2.1% | 2.2% | -1.2% | 1.8% | 1.2% | -0.1% | -3.4% | -2.9% | | | 1.9% |

## CUMULATIVE INVESTMENT PERFORMANCE

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