KZN GLOBAL BALANCED PORTFOLIO

SEPTEMBER 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.

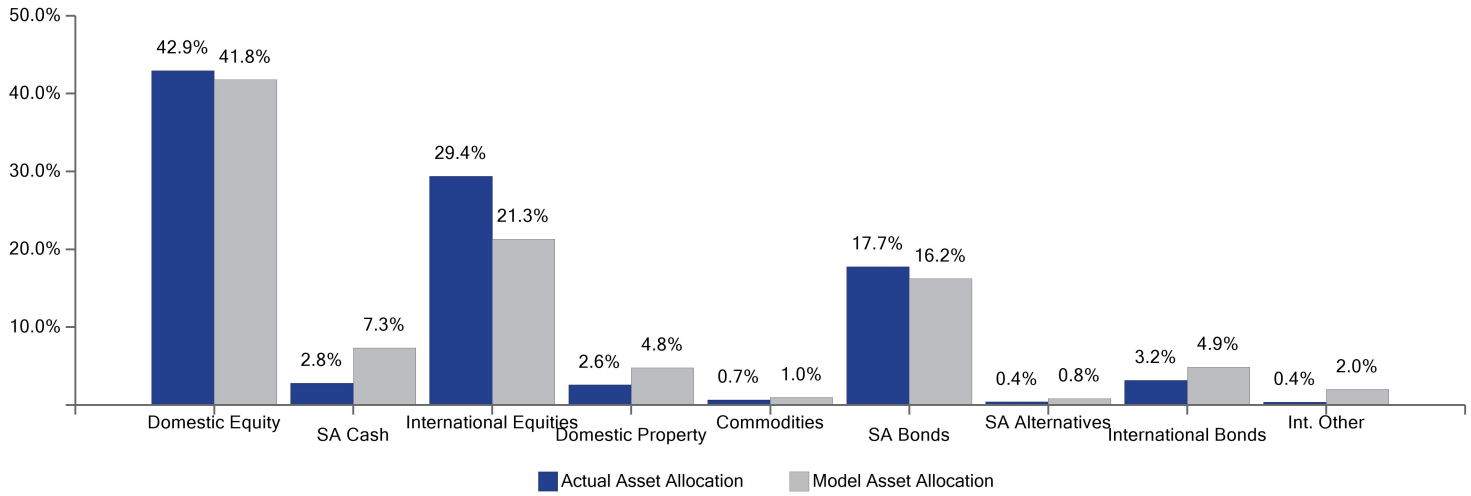
MONTHLY COMMENTARY

September was a month of further market pressure as oil prices rose to a 10-month high, raising concerns that an energy price shock will weigh on growth. Nonetheless, the Organisation for Economic Co-operation and Development raised its global growth forecast for this year to 3.0% from 2.7% in June in its Economic Outlook report, noting that the global economy is set for a slowdown in 2024 as interest rates weigh on economic activity and China's rebound disappoints. Central bank announcements continued to diverge based on differences in underlying growth and inflation: China cut its reserve requirement ratio by 0.25%, in line with its incremental easing policy, while the European Central Bank (ECB) raised rates by 0.25% to a 22-year high of 4.5%, the US kept rates flat as expected, and Japan similarly left its negative interest rate and the parameters of its yield curve control program unchanged. Developed market central banks are ready to converge at a higher-for-longer outlook. The Bank of England's chief economist, Huw Pill, called this the "Table Mountain" scenario, saying that rates will reach a long plateau at elevated levels, in line with the wide, flat summit of Cape Town's iconic mountain. Bond yields rose to reflect the new view and markets came under further pressure.

The global economy is at a crossroads. On the one hand, there are tentative signs of a rebound in global manufacturing, with new orders and new orders-to-inventory components of the global manufacturing PMI turning up. This suggests that businesses are starting to invest again and that demand is picking up. On the other hand, the global economy faces significant headwinds. The US is likely to experience a slowdown in the coming months as higher interest rates take effect and consumers run out of excess savings. In addition, China is experiencing deflationary conditions, and the war in Ukraine continues to cast a shadow over the global economy, disrupting supply chains and pushing up energy prices. As such, it is important to remain cautiously positioned: underweight equity and emerging markets and overweight the dollar and the US. A more positive outlook would require global interest rate cuts, de-escalation of the war in Ukraine or strong stimulus from China. However, conditions could also get worse if supply disruptions cause the oil price to spike.

The FTSE/JSE CAPPED SWIX Index decreased by 3.0%, Industrials were down 4.4% and Financials dropped by 3.8%. The JSE All Bond Index declined by 2.3%, 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 30 SEPTEMBER 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 30 SEPTEMBER 2023

PERIOD	FUND	BENCHMARK
1 Month	-3.4%	-2.6%
3 Months	-2.4%	-1.7%
6 Months	0.3%	1.4%
Year to Date	4.8%	6.4%
1 Year	13.8%	14.6%
3 Years	12.9%	12.0%
5 Years	8.8%	7.9%
Since Inception	8.1%	7.9%

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%

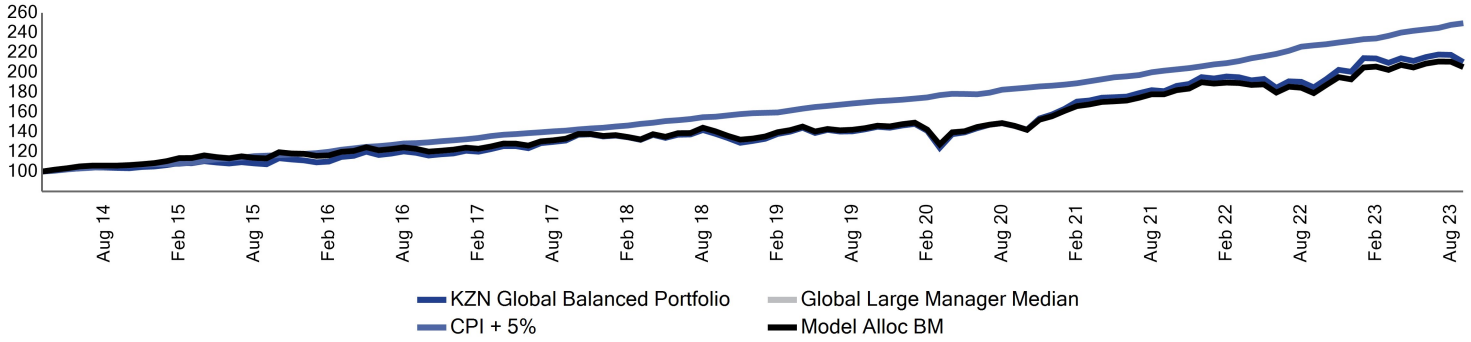
MANAGER ALLOCATION 30 SEPTEMBER 2023

MANAGER	PERCENTAGE
Coronation Managed Portfolio	33.8%
Ninety One Global Balanced Fund	32.7%
M&G Global Balanced Fund	33.5%

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%				4.8%

CUMULATIVE INVESTMENT PERFORMANCE



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