KZN MANAGED FUND

SEPTEMBER 2023

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

The fund can invest across all local and foreign asset classes. The fund makes use of a blend of three good quality asset managers who have been given fully discretionary global balanced mandates. These asset managers have the freedom to select the allocation to each of theseasset classes and the most attractive securities to invest in within each asset class. A portion of the fund is managed on a strategic asset allocation basis, where the long term allocation between the various asset classes have been set, taking into account the fund's long term aim. Specialist asset managers have been appointed to manage each of the asset classes and have the freedom to select 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.

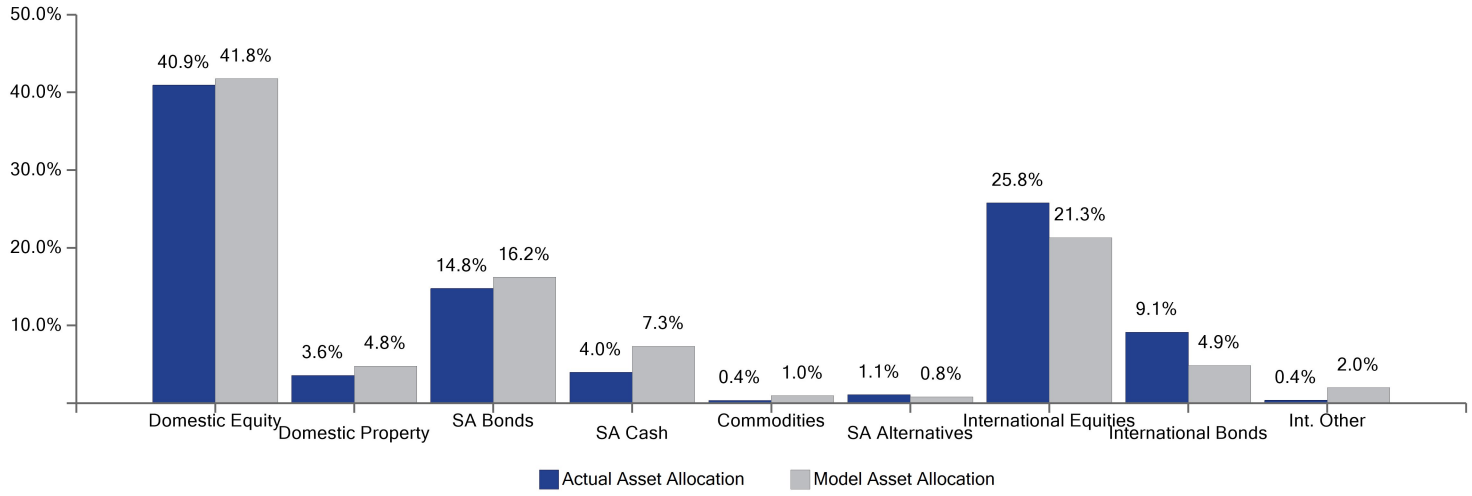
MONTHLY COMMENTARY

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	61.7%	65.0%
% Negative Months	38.3%	35.0%
Worst Month	-11.0%	-10.5%
Best Month	10.4%	9.7%
Average Return	0.7%	0.7%
Median Return	1.1%	1.0%
Maximum Drawdown	-15.1%	-14.8%

PERFORMANCE ANALYSIS TO 30 SEPTEMBER 2023

PERIOD	FUND	BENCHMARK
1 Month	-3.1%	-2.6%
3 Months	-2.3%	-1.7%
6 Months	1.0%	1.3%
Year to Date	5.2%	6.0%
1 Year	13.6%	14.5%
3 Years	12.4%	11.9%
5 Years	8.3%	7.8%
Since Inception	10.1%	9.7%

Inception Date: 31 August 2012. Returns prior to inception are backtested.
Returns are net of the TIC.

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.65% (Jun 2023)
Transaction Costs (TC)	0.12% (Jun 2023)
Total Investment Charge (TIC)	0.78% (Jun 2023)

CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2021	23.3%	22.0%
2022	2.0%	1.7%

MANAGER ALLOCATION 30 SEPTEMBER 2023

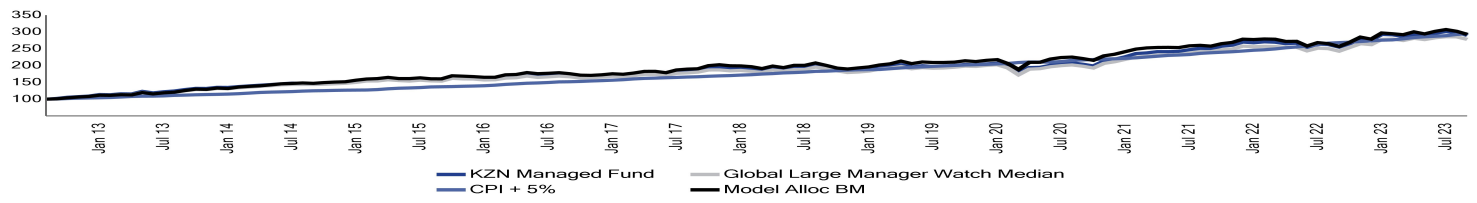
MANAGER	PERCENTAGE
M&G - Global Balanced	15.5%
Coronation - Global Balanced	15.4%
Ninety One Global Balanced Fund	15.1%
BlackRock - International Equity	9.3%
Argon SA Equity Fund	5.6%
MAZI Capital SA Equity (Swix) Fund	4.5%
Mianzo Capped Swix Active Equity Fund	4.4%
KZN Satrix SWIX Portfolio	3.3%
Vunani	3.1%
Lima Mbeu Equity Portfolio	2.3%
Mergence Equity (Swix) Fund	2.2%
Coronation Absolute Bond - SA Bonds	1.9%
BlackRock MSCI Emerging Market Equity	1.5%
M&G Global Bond Fund	1.5%
Garrington Capital (Coral Cove)	1.4%
Taquanta Core Cash - KZN Municipal Pension Fund	1.4%
Coronation - SA Cash	1.4%
Stanlib Bond Fund	1.3%
Avior Trading Account	1.3%
P1 Finance PLC (listed bond)	1.1%
MSM Property Fund (Pty) LTD	1.1%
AFI Private Markets Fund	0.8%
SPDR S&P Kensho New Economies Composite ETF	0.6%
Prescient Clean energy & Infrastructure Debt I	0.5%
SMMI Positive Return Fund Three B11	0.5%
STANLIB Property Income Fund Class B3	0.5%
Favo (Apex Structured Liquidity Solution)	0.5%
ATA Fund 3	0.4%
Old Mutual - SA Private Equity	0.4%
Vuna	0.3%
Mahlako Energy Fund I Partnership	0.3%
Prescient Clean energy & Infrastructure Debt II	0.3%
UMTHOMBO Private Markets Fund	0.2%
P1 Finance PLC (3 year listed bond)	0.2%
Coronation Managed Realignment Portfolio	0.2%
Standard Bank KZN USD Account 090885988	0.1%
Infra Impact Mid-Market Infrastructure Fund 1	0.1%
Avior Currency Hedge	-0.2%

BENCHMARK COMPOSITION
The fund benchmark is a composite benchmark consisting of: 95% Global Large Manager Watch Median, 1.4% Capped SWIX, 1.6% ALBI, 2% SAPY

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2022	-0.8%	1.1%	-0.4%	-1.6%	0.6%	-4.5%	3.5%	-0.3%	-2.9%	4.1%	4.9%	-1.2%	2.0%
2023	6.3%	-0.4%	-1.6%	2.1%	-0.9%	2.1%	1.6%	-0.7%	-3.1%				5.2%

CUMULATIVE INVESTMENT PERFORMANCE



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