

KZN MODERATE FUND

SEPTEMBER 2025

The KZN Moderate Fund is a 50% / 50% combination of the KZN Managed Fund and KZN Defensive Fund. It is a fund with moderate risk that aims to deliver real growth but with less volatility.

The portfolio is well diversified and invests across all local and foreign asset classes and makes use of good quality balanced asset managers and specialist asset managers within certain asset classes.

Over the longer term returns are expected to be less volatile but at the same time lower than for a typical balanced fund, because of the 50% exposure to the KZN Defensive Fund.

Due to its moderate allocation to growth assets, the fund has a moderate chance of capital loss in the short term, but is expected to achieve real growth of capital over the long-term, albeit lower than that of a typical balanced fund. As a result, the fund is best suited to members who have medium term (3-5 years) investment horizon.

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

MONTHLY COMMENTARY

The gold price surged more than 10% in September on the risk of a US government shutdown, pushing the real (inflation-adjusted) gold price to an all-time high. Gold's weighting has reached 15% of the JSE All Share Index, nearly three times its 2006 peak; including platinum group metals, total precious metals now account for 22% of the SA equity market, pushing the South African resources sector to more than double year to date. Gold performed well in the 2018/2019 US shutdown, and the short-term rise in gold has likely been driven by investors seeking safe haven. Beyond the shutdown, emerging market (EM) central banks are likely to continue to buy gold and Trump will continue his attacks on the Fed, so gold's rally is likely to continue. However, the stretched price of gold has raised the risk of a short-term reversal.

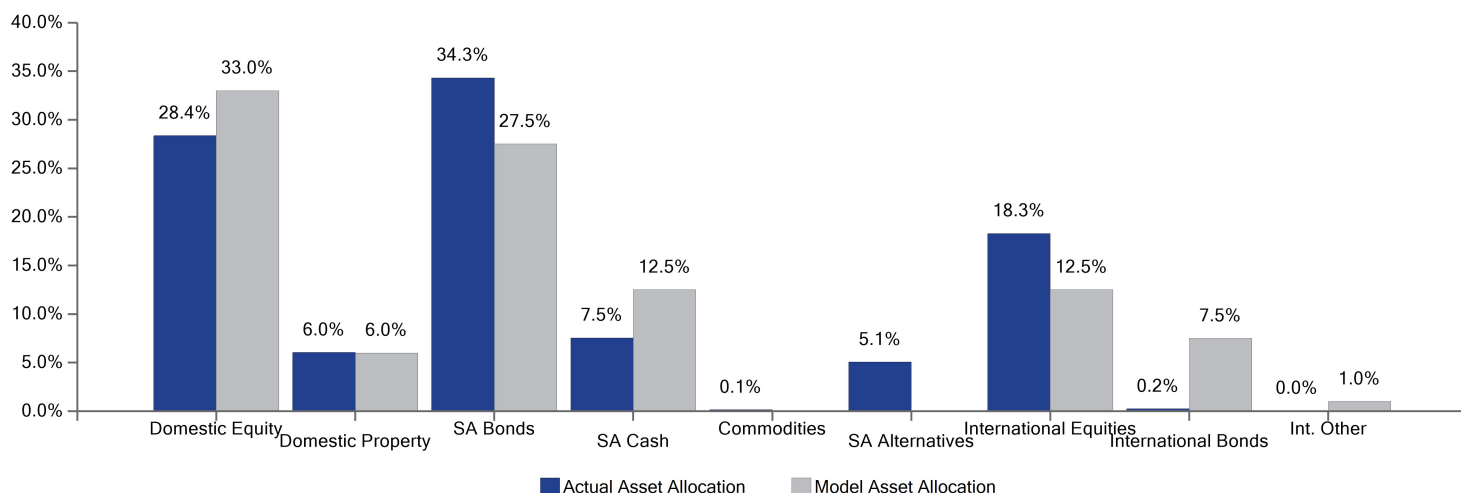
While inflation in South Africa rose less than expected, to 3%, the South African Reserve Bank (SARB) kept rates unchanged, with SARB governor Lesetja Kganyago blaming "the serious dysfunction in administered prices".

This year's upside growth surprise is due to tariff hikes occurring more gradually than expected, with the observed US tariff rate only reaching 9.7% in July. As front-loading spending in the US slows, a weakening of labour income will occur just as tariffs squeeze purchasing power, with the effective tariff rate expected to reach 19% by year end. US real labour income is thus projected to decline in the coming months. Despite slower employment, inflationary pressures from tariffs and immigration-driven wage increases pose significant risks that could prematurely end the Fed's rate cut cycle, while the oil price spiked after US President Trump reversed his stance on Ukraine. Investment lead growth is supporting the economy for now and the Atlanta Fed's GDPNow model is spiking, suggesting GDP growth could reaccelerate to 3.3% in Q3. Cheaper energy, a weaker dollar, lower equity earnings yields and narrowing credit spreads are all stimulative for business activity.

Markets are very stretched and pullbacks are likely due to geopolitical risks or inflation. At this stage, the Fed continues to provide liquidity, and fiscal stimulus is much stronger than it should be at this point in the economic cycle, which suggests that any pullbacks will be shallow.

The FTSE/JSE Capped SWIX Index improved by 6.5%, as Resources soared by 28.1% and Industrials rose by 1.7%. Financials dropped by 1.6%, the JSE All Bond Index increased by 3.3% and the Rand strengthened 2.5% against the Dollar.

ACTUAL ASSET ALLOCATION



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KZN
MUNICIPAL PENSION FUND
Together We Grow Your Wealth

FUND SUMMARY AS AT 30 SEPTEMBER 2025

STATISTIC	FUND	BENCHMARK
% Positive Months	73.3%	70.0%
% Negative Months	26.7%	30.0%
Worst Month	-3.8%	-4.2%
Best Month	6.3%	6.5%
Average Return	1.1%	1.0%
Median Return	1.3%	1.2%
Maximum Drawdown	-4.7%	-6.0%

PERFORMANCE ANALYSIS TO 30 SEPTEMBER 2025

PERIOD	FUND	BENCHMARK
1 Month	2.3%	3.0%
3 Months	6.2%	6.9%
6 Months	11.8%	14.1%
Year to Date	14.0%	15.9%
1 Year	16.1%	17.1%
3 Years	15.9%	17.0%
5 Years	13.7%	13.1%
Since Inception	9.2%	9.3%

Inception Date: 29 May 2015. Returns prior to inception are backtested.
Returns are net of the TIC.

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.55% (Jun 2025)
Transaction Costs (TC)	0.07% (Jun 2025)
Total Investment Charge (TIC)	0.62% (Jun 2025)

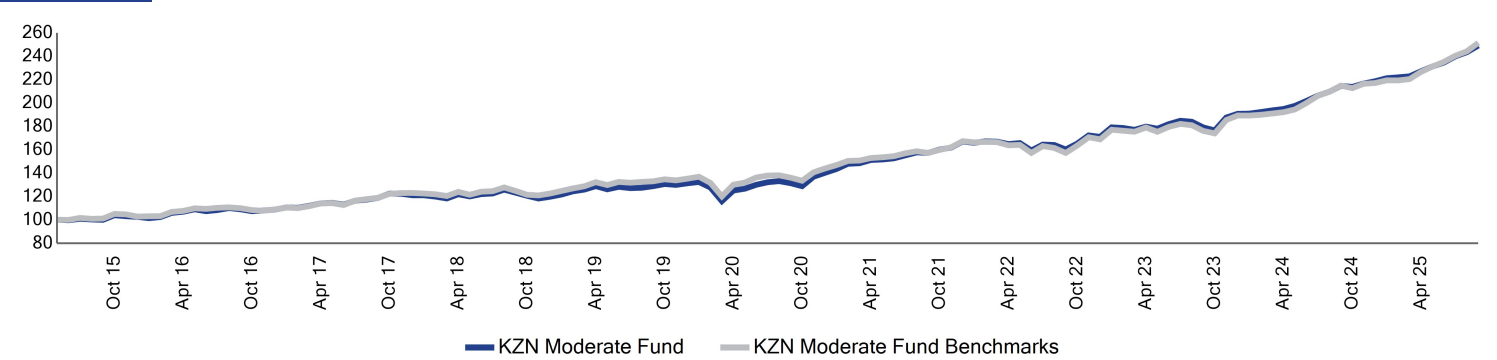
BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 33% SWIX, 27.5% ALBI, 6% SAPY, 12.5% STeFI, 12.5% MSCI World Index, 7.5% Barclays Global Bond Index, 1% Global Cash

HISTORICAL PERFORMANCE

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2021	2.3%	3.1%	0.3%	1.9%	0.3%	0.6%	1.7%	1.6%	-0.3%	1.8%	1.0%	3.2%	19.1%
2022	-0.6%	0.7%	-0.2%	-1.2%	0.5%	-3.8%	3.2%	-0.2%	-2.3%	3.1%	4.2%	-0.7%	2.4%
2023	4.8%	-0.3%	-0.9%	1.5%	-1.0%	2.2%	1.6%	-0.4%	-2.6%	-1.4%	6.2%	1.7%	11.5%
2024	0.1%	0.7%	0.8%	0.6%	1.4%	2.1%	2.2%	1.6%	2.4%	-0.4%	1.3%	0.9%	14.6%
2025	1.2%	0.3%	0.4%	1.9%	1.8%	1.5%	2.3%	1.5%	2.3%				14.0%

CUMULATIVE INVESTMENT PERFORMANCE



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CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2020	6.8%	6.4%
2021	19.1%	16.2%
2022	2.4%	1.0%
2023	11.5%	12.1%
2024	14.6%	14.7%

TOP 10 MANAGER ALLOCATION 30 SEPTEMBER 2025

MANAGER	PERCENTAGE
Vunani	10.4%
iShares Developed World Index Fund	8.5%
KZN Satrix SmartCore Portfolio	6.4%
Coronation Absolute Bond - SA Bonds	6.3%
Argon SA Equity Fund	5.7%
M&G Investments Global Balanced Fund	5.3%
Ninety One Global Balanced Fund	5.3%
Coronation Managed Portfolio	5.3%
Stanlib Bond Fund	4.2%
Mianzo Capped Swix Active Equity Fund	4.1%
Other	38.7%