

# KZN MODERATE FUND

MAY 2026

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

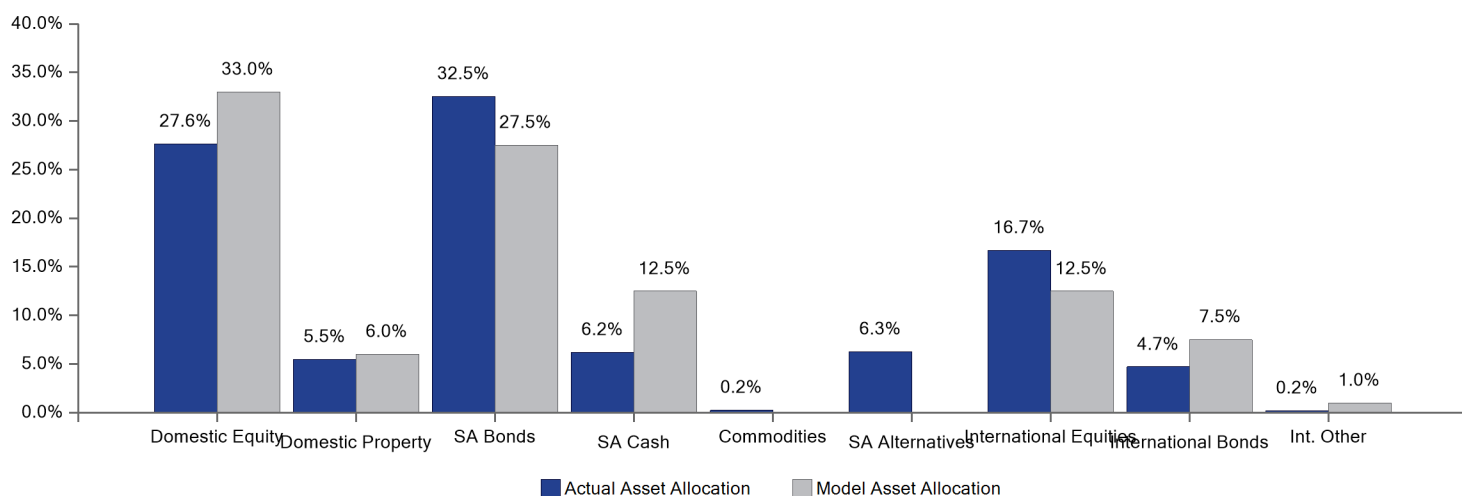
Technology stocks drove markets in May, with the Nasdaq reaching new highs. Strong demand for AI infrastructure pushed up semiconductor stocks, while initial public offering (IPO) filings from SpaceX as well as OpenAI's pre-IPO preparations added further momentum, with space and satellite stocks soaring. AI infrastructure demand appears real rather than speculative. The combined cloud backlog of Amazon, Microsoft and Google has doubled over six months to \$1.5 trillion in sales commitments (not pipeline). That said, the speed and scale of investment warrant close scrutiny, with AI hyperscaler capex expected to rise from \$800bn in 2026 to \$1.1tn in 2027.

Negotiations between the US and Iran have swung sharply from day to day, alternating between optimism over a potential deal and threats of destruction, with markets increasingly desensitised to each development. Core sticking points remain Iran's uranium stockpile, control over the Strait of Hormuz and the ongoing US naval blockade of Iranian ports. Markets have differentiated sharply, rewarding AI winners and punishing oil importers. US equities have been notably insulated from the oil shock, supported by strong earnings, the absence of Fed rate hikes and by tax relief from the One Big Beautiful Budget Act. This price rally has been matched by rising consensus earnings forecasts.

Services inflation remains the stickiest problem globally, due to tightening labour markets and firm pricing power. In the US, services inflation accelerated to a 4% annualised rate in the three months through April, and euro area services inflation picked up to 3.6% annualised, the clearest signal that inflation is not yet under control. A mix of goods-sector cost pressures (China's fading deflationary impulse, surging tech prices, building-supply-chain and transportation-cost pressures) could push core inflation well above 3%. If central banks hike in response, the drag from higher oil, food and borrowing costs will eventually feed through to earnings, setting markets up for disappointment down the line. The SARB raised the policy rate by 25 basis points to 7%, in line with market expectations. While the base case assumes no further hikes, the SARB acknowledged that a combination of El Niño-driven drought conditions and elevated oil prices could necessitate up to three additional rate increases should both risks materialise simultaneously. Against this backdrop, we remain underweight South Africa given the headwinds of rising borrowing costs, food prices and fuel prices.

The FTSE/JSE CAPI Index declined by 0.3%, while Industrials fell 0.9% and Financials advanced 1.1%. The JSE All Bond Index rose by 2.9% and the Rand strengthened 3.0% against the Dollar.

## ACTUAL ASSET ALLOCATION AS AT 31 MARCH 2026



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**KZN**  
MUNICIPAL PENSION FUND  
Together We Grow Your Wealth

## FUND SUMMARY AS AT 31 MAY 2026

STATISTIC	FUND	BENCHMARK
% Positive Months	73.3%	70.0%
% Negative Months	26.7%	30.0%
Worst Month	-4.1%	-5.5%
Best Month	6.2%	6.5%
Average Return	1.0%	1.0%
Median Return	1.3%	1.3%
Maximum Drawdown	-4.7%	-6.0%

## PERFORMANCE ANALYSIS TO 31 MAY 2026

PERIOD	FUND	BENCHMARK
1 Month	0.5%	0.7%
3 Months	-1.2%	-2.4%
6 Months	4.3%	4.1%
Year to Date	2.8%	2.3%
1 Year	16.7%	17.7%
3 Years	14.9%	15.8%
5 Years	12.2%	12.1%
Since Inception	9.4%	9.5%

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

## FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.53% (Mar 2026)
Transaction Costs (TC)	0.07% (Mar 2026)
Total Investment Charge (TIC)	0.60% (Mar 2026)

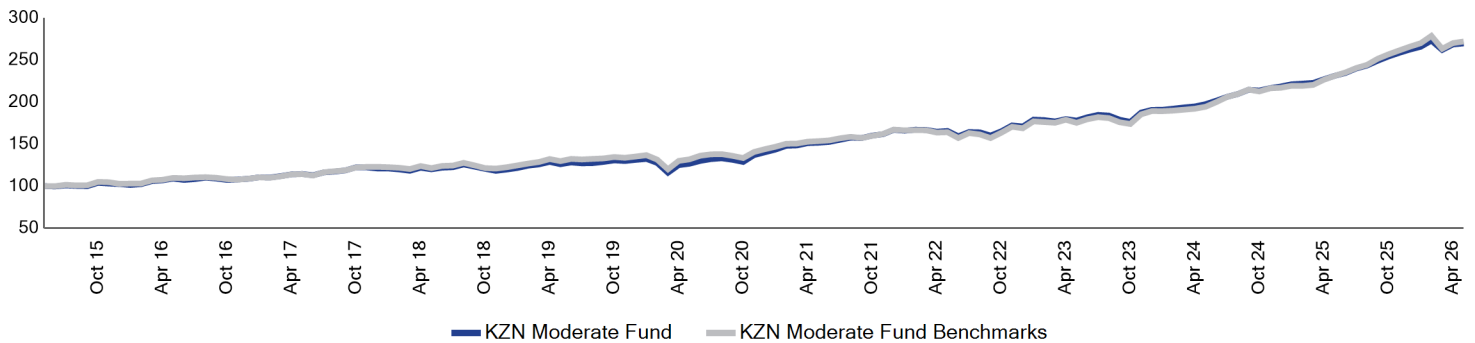
## BENCHMARK COMPOSITION

The fund benchmark is a composite benchmark consisting of: 33% All Share, 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
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%	2.0%	1.7%	1.5%	20.1%
2026	1.3%	2.8%	-4.1%	2.5%	0.5%								2.8%

## CUMULATIVE INVESTMENT PERFORMANCE



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## CALENDAR YEAR RETURNS

PERFORMANCE	FUND	BENCHMARK
2021	19.1%	16.2%
2022	2.4%	1.0%
2023	11.5%	12.1%
2024	14.6%	14.7%
2025	20.1%	22.5%

## TOP 10 MANAGER ALLOCATION 31 MARCH 2026

MANAGER	PERCENTAGE
Vunani	9.7%
iShares Developed World Index Fund	8.7%
Argon SA Equity Fund	7.7%
Coronation Absolute Bond - SA Bonds	5.9%
Mianzo Capped Swix Active Equity Fund	5.8%
M&G Investments Global Balanced Fund	5.0%
Ninety One Global Balanced Fund	5.0%
Coronation Managed Portfolio	5.0%
Stanlib Bond Fund	3.9%
KZN Satrix SmartCore Portfolio	3.7%
Other	39.7%