KZN MODERATE FUND

JULY 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

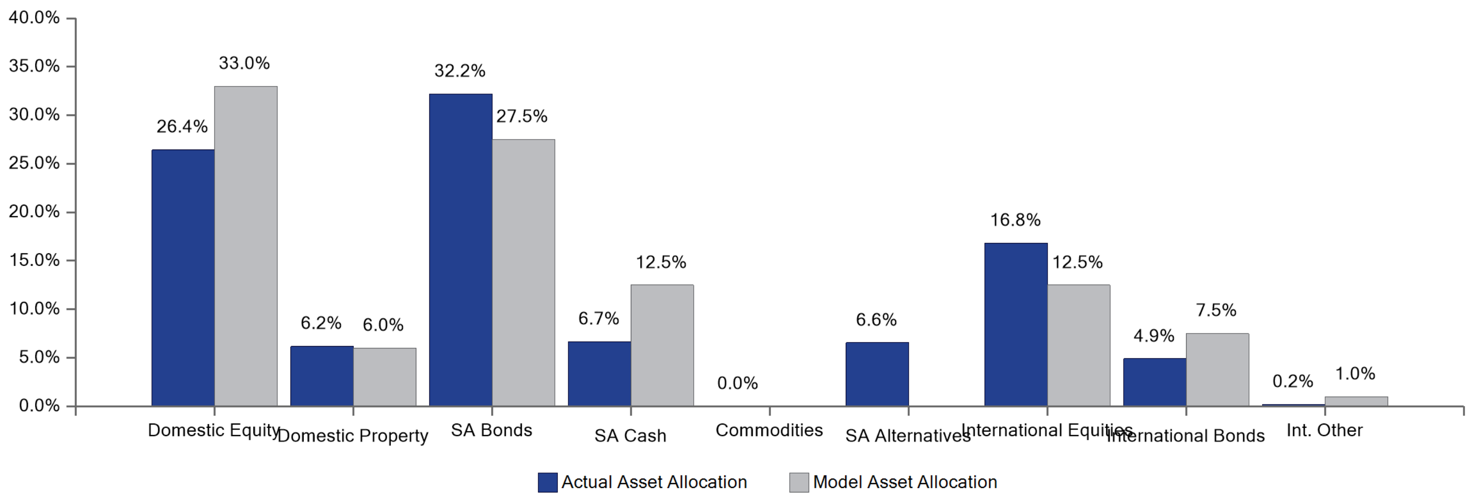
A new AI model from Chinese company Moonshot sent a jolt through global tech markets in July, dragging down shares of chipmakers, memory producers and data-centre builders. It has deepened a concern that has been building for a while: Will the hyperscalers see a return on all their spending? AI-related capital expenditure is at record highs and has been one of the biggest drivers of stock market gains this year, but the return on investment is at risk if Chinese models erode the pricing power of US AI models. Prices for AI tokens have been falling, and the Silicon Data LLM Token Expenditure Index has dropped nearly 30% from its May peak, coinciding with the recent underperformance in AI hyperscaler stocks. The more optimistic view is that cheaper models will simply expand the addressable market and that the drop in token prices reflects additional usage rather than a price war. Token consumption has increased 1 370 times over the last two years.

The South African Reserve Bank (SARB) held its policy rate at 7% in July, despite building inflationary pressure. The decision reflects a deliberate trade-off: by prioritising support for weak growth over containing inflation, the SARB's hold is equity-positive, but it weighed on bonds and the rand, which both reacted negatively to the surprise.

Risks remain to the outlook:
• Brent crude rose above US$100/bbl as continued US-Iran hostilities and Houthi attacks in the Red Sea raised the risk of simultaneous disruptions across the Strait of Hormuz and the Bab-el-Mandeb, two critical Middle East shipping routes.
• Inflation pressure is not just about crude oil, it is also tied to refined products such as natural gas, diesel and jet fuel.
• With the US labour market showing renewed strength, the Fed has room to keep its focus on core inflation, which remains well above target.
• Tariffs are back in focus. On 24 July, Trump implemented Section 301 forced-labour tariffs as his stop-gap Section 122 tariffs expired; South Africa faces a 12.5% rate under the new measure. Trump has warned Section 338 could also be used for tariffs.

For now, the global economy is experiencing a period of exceptional growth driven by the AI capex boom. And overall, with no recession in sight, we remain cautiously overweight global equities, neutral emerging markets and underweight South Africa. The FTSE/JSE CAPI Index rose 1.2%, with Industrials and Financials gaining 0.5% and 1.2%, respectively. The JSE All Bond Index declined by 1.4%, and the Rand weakened by 1.0% against the Dollar.

ACTUAL ASSET ALLOCATION AS AT 30 JUNE 2026



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KZN MUNICIPAL PENSION FUND
Together We Grow Your Wealth

FUND SUMMARY AS AT 31 JULY 2026

STATISTIC	FUND	BENCHMARK
% Positive Months	71.7%	68.3%
% Negative Months	28.3%	31.7%
Worst Month	-4.1%	-5.5%
Best Month	6.2%	6.5%
Average Return	0.9%	0.9%
Median Return	1.2%	1.2%
Maximum Drawdown	-4.7%	-6.0%

PERFORMANCE ANALYSIS TO 31 JULY 2026

PERIOD	FUND	BENCHMARK
1 Month	0.7%	0.4%
3 Months	0.9%	0.8%
6 Months	1.9%	0.8%
Year to Date	3.2%	2.4%
1 Year	12.9%	13.2%
3 Years	13.6%	14.3%
5 Years	11.8%	11.6%
Since Inception	9.3%	9.4%

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

FEES

	PERCENTAGE
Total Expense Ratio (TER)	0.52% (Jun 2026)
Transaction Costs (TC)	0.07% (Jun 2026)
Total Investment Charge (TIC)	0.59% (Jun 2026)

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 30 JUNE 2026

MANAGER	PERCENTAGE
Vunani	9.9%
iShares Developed World Index Fund	8.7%
Argon SA Equity Fund	7.4%
Mianzo Capped ALSI Active Equity Fund	6.6%
Coronation Absolute Bond - SA Bonds	5.9%
Coronation Managed Portfolio	5.0%
Ninety One Global Balanced Fund	5.0%
M&G Investments Global Balanced Fund	5.0%
Stanlib Bond Fund	4.0%
KZN Satrix SmartCore Portfolio	3.5%
Other	39.1%

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%	-0.3%	0.7%						3.2%

CUMULATIVE INVESTMENT PERFORMANCE