



## CRF FOR LOCAL GOVERNMENT

### CRF COSTS

For the financial years ended:

June 2018

June 2019

June 2020



# INTRODUCTION



Sukha and Associates ("S&A") has provided the Total Expense Ratio ("TER") of the Consolidated Retirement Fund for Local Government ("CRF") over the financial years ended June 2017, June 2018 and June 2019. **S&A have based the TER on audited figures obtained from the CRF annual financial statements.** This will provide comfort to CRF members that audited figures have been utilised and will allow a better comparison with other Local Government funds. Figures from the audited financial statements may or may not include transaction costs. This report does not therefore provide an indication of the total investment charge, which is the TER plus transaction costs.

## Important notes

The total expenses for investments per financial year as reported in the Annual Financial Statements was used in this report. S&A allocated the fund expenses to the various risk-profile portfolios using the average monthly market value of the risk-profile portfolios over the period concerned. For the investment fees, S&A utilised the actual Rand amount obtained directly from asset managers for all of the risk-profile portfolios except the Growth and Aggressive Portfolios. The Growth and Aggressive Portfolios' investment fees were then the balancing figure (i.e. total amount in annual financial statements less actual fees as reported by asset managers for Moderate, Money Market, Shari'ah, Exit and In-Fund). The actual administration and fund communication expenses for the In-Fund Pension Portfolio were used in the report. The remaining expenses were allocated proportionately to the other CRF portfolios excluding the In-Fund Pension Portfolio. The split between administration and fund communication expenses are the same as the split set out in the annual financial statements.

S&A are dependent on external service providers for information, therefore cannot guarantee the accuracy of any of the figures in this report. The Smooth Bonus Portfolios supply a quarterly total expense ratio or similar. Full disclosure of costs and fees of pooled funds was generally problematic. Asset managers of pooled funds will have to update their administration systems in order to provide a full breakdown of costs and fees. Data for the risk-profiled portfolios are sourced from the underlying asset managers, which may or may not be comprehensive, accurate or complete. S&A does not assume any liability for data that is supplied to us from the CRF appointed asset managers or auditors.

## Disclaimer

The information in this report is intended solely for the use of Consolidated Retirement Fund for Local Government and must be kept confidential. The information represents the intellectual property of Sukha and Associates (Pty) Ltd ("S&A") and should not be used by any other parties without permission from S&A.

No guarantee, representation or warranty is given by S&A, and no responsibility or liability, contingent or otherwise, as to its quality, accuracy, timeliness, availability and completeness of the information provided.

Sukha and Associates (Pty) Ltd is an authorised financial services provider  
FSP number: 42932  
Registration number 2010/015769/07  
BEE Status Level 1 under new Codes and 100% Black Owned



## EXECUTIVE SUMMARY

### CRF PORTFOLIOS - TOTAL EXPENSE RATIOS

2018, 2019 and 2020 Financial Years



	12 Months ended June 2018			12 Months ended June 2019			12 Months ended June 2020		
	Total Investment Costs	Total Fund Expenses	Grand Total	Total Investment Costs	Total Fund Expenses	Grand Total	Total Investment Costs	Total Fund Expenses	Grand Total
CRF Aggressive Portfolio	-	-	-	-	-	-	0.84%	0.23%	1.06%
CRF Growth Portfolio	0.53%	0.23%	0.76%	0.69%	0.23%	0.92%	0.81%	0.23%	1.04%
CRF Moderate Portfolio	1.21%	0.23%	1.44%	1.09%	0.23%	1.32%	0.44%	0.23%	0.66%
CRF Money Market Portfolio	0.48%	0.23%	0.71%	0.18%	0.23%	0.41%	0.19%	0.23%	0.42%
CRF In-Fund Pension	0.40%	0.13%	0.53%	0.53%	0.23%	0.76%	0.39%	0.23%	0.62%
CRF Shari'ah Portfolio	1.06%	0.23%	1.29%	1.41%	0.23%	1.64%	1.04%	0.23%	1.26%
CRF Exit Portfolio	0.16%	0.23%	0.39%	0.19%	0.23%	0.42%	0.21%	0.23%	0.43%

#### Notes:

- 1) All figures are taken from the Annual Financial Statements, which are audited. Costs and Expenses have been allocated by a verage weight of the portfolio over the year and TERs of underlying mandates where applicable.
- 2) Given the lack of consistency of disclosure on transaction costs, these have been excluded until the industry finds a unif orm approach within the institutional industry.
- 3) As a result, the above figures represent the Total Expense Ratios or TERs for each CRF portfolio for each of the previous financial years.
- 4) The Aggressive Portfolio was only established in November 2019 but we have shown the typical TER for the portfolio assuming that it has been in place for the full financial year.
- 5) The Moderate Portfolio TER will drop significantly over time as the portfolio was restructured in the 2019 financial year. It is now managed by CRF rather than a multi-manager.
- 6) The Growth Portfolio has the largest exposure to alternatives (more than 15%), which provides good risk -adjusted returns, but at a higher investment fee.
- 7) The TER of all portfolios should start to decrease as the Fund grows larger and utilises its economies of scale to the mem ber's advantage. The fixed costs are one of the lowest in Local Government and have dropped to 0.2% from 0.23% on 1 July 2020, which will be shown in the following year's report. Detailed Analysis is available on the CRF website [www.crfund.co.za](http://www.crfund.co.za).
- 8) Performance Fees:
  - a) The TER of the Growth Portfolio in 2019 includes performance fees of 0.17%, which change from year to year. The TER of the Growth Portfolio without performance fees would have been 0.75% instead of 0.92%.
  - b) The TER of the Growth Portfolio and Aggressive Portfolio in 2020 includes performance fees of 0.22%, which change from year to year. The TER of the Growth Portfolio and Aggressive Portfolio without performance fees would have been 0.82% and 0.84% respectively. Almost all of the performance fee was paid to a hedge fund asset manager that delivered 25% net of all fees relative to the SWIX benchmark of

## PEER GROUP COMPARISON OF TOTAL EXPENSES AS PER ANNUAL FINANCIAL STATEMENTS

### CRF vs Fund A vs Fund B

2018, 2019 and 2020 Financial Years



	2018					
	CRF		Fund A		Fund B	
Market Value	24,830,609,787		3,846,900,081		15,779,593,916	
	ZAR	%	ZAR	%	ZAR	%
Total Investment Costs	128,577,628	0.52%	17,173,615	0.45%	74,074,500	0.47%
Total Fund Expenses	53,308,669	0.21%	14,220,316	0.37%	78,889,199	0.50%
Grand Total	181,886,297	0.73%	31,393,931	0.82%	152,963,699	0.97%

	2019					
	CRF		Fund A		Fund B	
Market Value	27,003,125,823		3,662,605,710		17,489,922,631	
	ZAR	%	ZAR	%	ZAR	%
Total Investment Costs	163,436,355	0.61%	25,112,830	0.69%	104,098,977	0.60%
Total Fund Expenses	57,881,423	0.21%	14,714,940	0.40%	77,432,097	0.44%
Grand Total	221,317,778	0.82%	39,827,770	1.09%	181,531,074	1.04%

	2020					
	CRF		Fund A		Fund B	
Market Value	29,462,342,904		3,357,563,727		18,837,952,924	
	ZAR	%	ZAR	%	ZAR	%
Total Investment Costs	195,979,592	0.67%	26,930,853	0.80%	94,762,527	0.50%
Total Fund Expenses	64,814,910	0.22%	14,254,155	0.42%	75,984,669	0.40%
Grand Total	260,794,502	0.89%	41,185,008	1.23%	170,747,196	0.91%

#### Notes:

1) Total Fund Expenses includes all expenses listed in the financial statements such as Administration fees, Audit fees, Actuarial fees etc.

2) In the interests of good governance and transparency, CRF publishes its Annual Financial Statements on its website. Two other Local Government funds do the same.

3) We have compared CRF's Total Costs as disclosed in their audited Annual Financial Statements against two other Local Government funds, which allows a like-for-like comparison.

4) As CRF is one of the largest Local Government fund by assets, it will naturally have a lower cost structure. This highlights the main benefits of being part of a large and well-governed fund.

5) CRF continues to experience a positive net growth in members. As the assets of CRF continue to grow, the fixed costs are likely to decrease further as a percentage of assets over time. For example, from 2018 to 2020, CRF's assets grew by around R4.6bn, Fund A's assets fell by R489m and Fund B's assets grew by R3bn.

6) In the 2020 financial year, CRF's overall cost structure was 38.6% lower than Fund A and 2.4% lower than Fund B. Note that the cost structure for CRF includes performance fees as detailed on the previous page.