



## CRF FOR LOCAL GOVERNMENT

# MEMBERS MINIMUM DISCLOSURE REPORT DEFAULT INVESTMENT PORTFOLIOS

June 2020



## INTRODUCTION



Sukha and Associates (“S&A”) is pleased to present the minimum annual disclosure report for members of the Consolidated Retirement Fund for Local Government (“CRF”). The report provides the minimum information that is required to be disclosed to members on an annual basis in terms of the Default Regulations and the FSCA Guidance Note 8 of 2018.

Data for the risk-profiled portfolios is sourced from the underlying managers, which may or may not be comprehensive, accurate or complete. S&A and the CRF does not assume any liability for data that is supplied to us from the CRF appointed asset managers or service providers.

### Important notes

All of the data shown for the various measurement periods are as at month end. Performance numbers for periods greater than 12 months have been annualized. Past performance is not necessary a guide to future performance. S&A are dependent on external service providers for information, therefore cannot guarantee the accuracy of any of the figures in this report. S&A does however, conduct reasonableness checks and submit queries to asset managers from time to time to increase the integrity of the CRF data. Look-through asset allocation is obtained from the asset managers where available and applicable. No guarantee is provided in terms of the accuracy of the asset allocation and return figures. The Smooth Bonus Portfolios, in which the CRF Moderate and CRF In-Fund Pension Portfolios invest, have only supplied the market values of the Top 50 equity holdings. Holdings within pooled funds were generally unavailable. Returns are sourced from CRF's investment administrator, Sanlam Employee Benefits.

Equity holdings for the following mandates within the Growth Portfolio were included in the analysis: Aeon Equity, Mazi Equity, Coronation Equity, Coronation FFI, Investec Quants, Investec Opportunity, Allan Gray Global Balanced, SIM Tracker, Absa Property and FutureGrowth IBF.

Further information on the Aggressive Portfolio will be provided once a longer track record has been achieved.

### Disclaimer

The information in this report is intended solely for the use of members of the CRF and must be kept confidential. The information is sensitive and should not be used by any other party without permission from the CRF.

No guarantee, representation or warranty is given by S&A or the CRF, and no responsibility or liability, contingent or otherwise, as to its quality, accuracy, timeliness, availability and completeness of the information provided. S&A and the CRF are dependent on external service providers for information, therefore cannot guarantee the accuracy of any of the figures in this report.

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  
Signatory to the UN Principles of Responsible Investing



# MANDATE SUMMARY



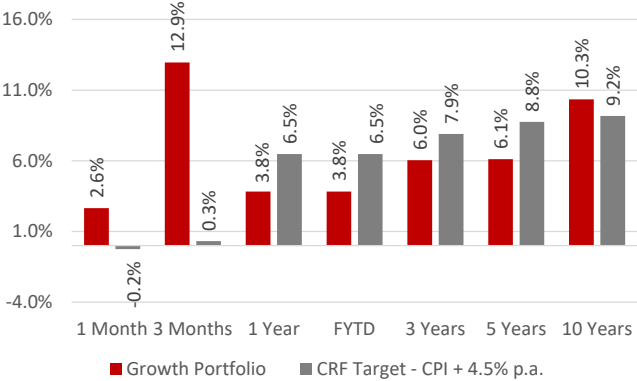
	FUND DESCRIPTION					
	Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Shari'ah Portfolio	Money Market Portfolio	In-Fund Pension
Inception date:	Nov-19	Oct-02	Jul-11	Sep-16	Sep-07	Apr-11
Target return:	CPI + 6% p.a. over five-year rolling periods on a net of fees basis	CPI + 4.5% p.a. over five-year rolling periods on a net of fees basis	CPI+3% p.a. over three-year rolling periods on a net of fees basis	CPI+4% p.a. over three-year rolling periods on a net of fees basis	CPI over three-year rolling periods on a net of fees basis	100% of CPI inflation each year on a net of fees basis
Strategic Benchmark:	50.5% SWIX, 2.5% ALBI, 2.5% CILI, 1.5% STeFI Composite, 7.5% SAPY, 2.3% 3 Month JIBAR, 0.75% Palladium ETF (NGPLD), 0.75% Platinum ETF (NGPLT), 20% MSCI All Country (AC) World USD Index (Net), 2.5% Citi World Government Bond USD Index, 1.9% MSCI Emerging and Frontier Markets Africa ex SA USD Index (Net), 7.3% 3 month USD Libor + 2%.	41.5% SWIX, 6.0% ALBI, 6.0% CILI, 2.0% STeFI Composite, 9.0% SAPY, 2.3% 3 Month JIBAR, 0.75% Palladium ETF (NGPLD), 0.75% Platinum ETF (NGPLT), 20.0% MSCI All Country (AC) World USD Index (Net), 2.5% Citi World Government Bond USD Index, 1.9% MSCI Emerging and Frontier Markets Africa ex SA USD Index (Net), 7.3% 3 month USD Libor + 2%.	36% SWIX, 10% ALBI, 10% CILI, 10% STeFI Composite, 4% SAPY, 3% 3 Month JIBAR, 18% MSCI All Country (AC) World USD Index (Net), 5% Citi World Government Bond USD Index, 1% MSCI Emerging and Frontier Markets Africa ex SA USD Index (Net), 3% 3 month USD Libor + 2%.	40% FTSE/JSE Capped Shari'ah Top 40 Index, 32% STeFI, 5% Platinum spot price, 18% Global indices composite, 5% Dow Jones Global Sukuk Index	N/A	N/A
Portfolio Objective:	The Aggressive Portfolio (AP) is available to all participating members in the Fund provided that members can demonstrate that they have received financial advice. The primary objective of the AP is to maximise returns with no cognisance on capital preservation. Large negative returns can be realised. The AP is only available pre-retirement.	The Growth Portfolio (GP) is available to members both pre and post-retirement. It has a moderate to high risk profile.	The Moderate Portfolio (MP) is available to members over the age of 50 who would prefer to invest in a portfolio with a moderate risk profile i.e. with less equity exposure than the GP. The MP is available pre and post-retirement.	The Shari'ah Portfolio (SP) is available to all participating members in the Fund. The SP is Regulation 28 compliant and designed for members wanting a Shari'ah compliant long-term investment option. The portfolio is diversified by asset class and fund manager and is designed to achieve moderate income and capital growth. The SP is available pre and post-retirement.	The Money Market Portfolio (MMP) provides members with an option to invest primarily in money-market instruments to avoid material market fluctuations and capital loss. The MMP has a low risk profile with no exposure to equity. The MMP is available to members over the age of 50 provided that the members can confirm that they have received financial advice. The MMP is available post-retirement as well.	The Trustees have set a separate investment strategy for the pensioner assets so as to better match the liability profile of this group of members. The IFP is managed by asset managers appointed by the Trustees, with the assistance of their Investment Consultant. The IFP has a conservative to moderate risk profile. The IFP is only available post-retirement.
Default Portfolio:	No	Yes	Yes	No	No	No
Accessibility	Available pre-retirement only	Available pre and post-retirement	Available pre and post-retirement	Available pre and post-retirement	Available pre and post-retirement	Available post-retirement only
Passive / Active Mandates	Both Passive and Active	Both Passive and Active	Both Passive and Active	Active only	Active only	Both Passive and Active
Lock-in	No	No	No	No	No	Yes
Allocation to Smooth Bonus Fund	No	No	Yes	No	No	Yes
Expected Risks:						
Market Risk	High	High	Moderate	Moderate	Low	Low to Moderate
Liquidity Risk	Moderate	Moderate	Moderate	Low	Low	Low to Moderate
Credit Risk	Moderate	Moderate	Moderate	Moderate	Low	Low to Moderate
Currency Risk	High	High	Moderate	Moderate	Low	Low to Moderate
Interest Rate Risk	Moderate	Moderate	Moderate	Moderate	Low	Moderate



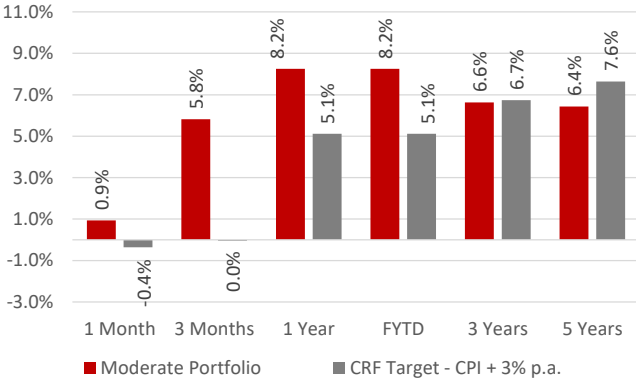
# PERFORMANCE ANALYSIS

## CRF PORTFOLIOS - PERIODIC RETURNS CHARTS

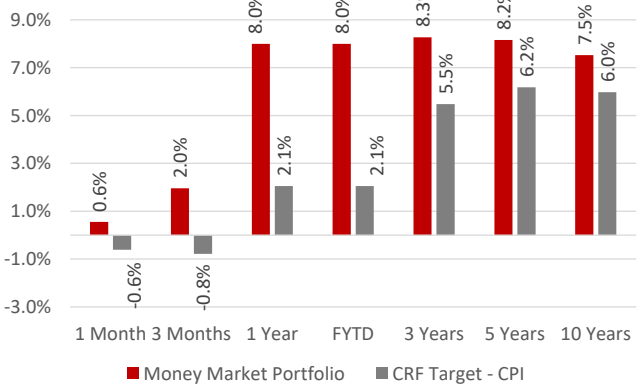
**Growth Portfolio vs CPI + 4.5% Target**



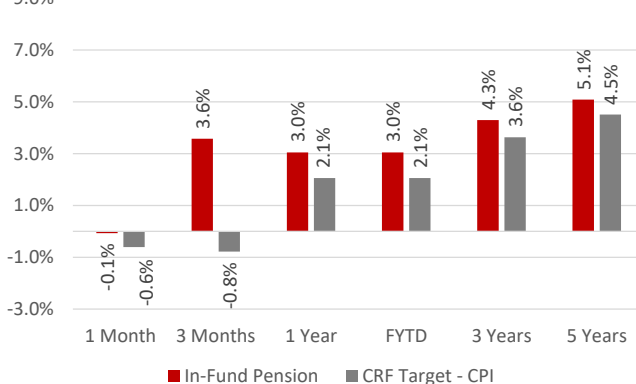
**Moderate Portfolio vs CPI + 3% Target**



**Money Market Portfolio vs CPI Target**



**In-Fund Pension vs CPI Target**



**Notes:**

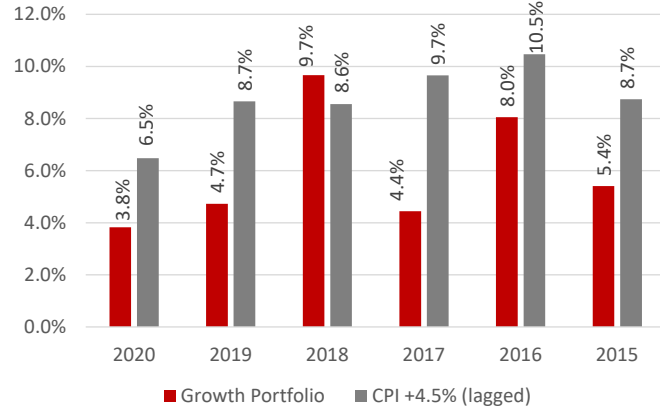
- 1) The return target of the Money Market Portfolio changed from STeFI to CPI in April 2019. We have retained the STeFI returns prior to April 2019.
- 2) The return target of the Growth Portfolio increased from CPI + 4% p.a. to CPI + 4.5% p.a. in November 2019. We have retained CPI + 4% p.a. returns prior to November 2019.
- 3) Returns for the Aggressive Portfolio will be provided once a longer track record has been achieved.

# PERFORMANCE ANALYSIS

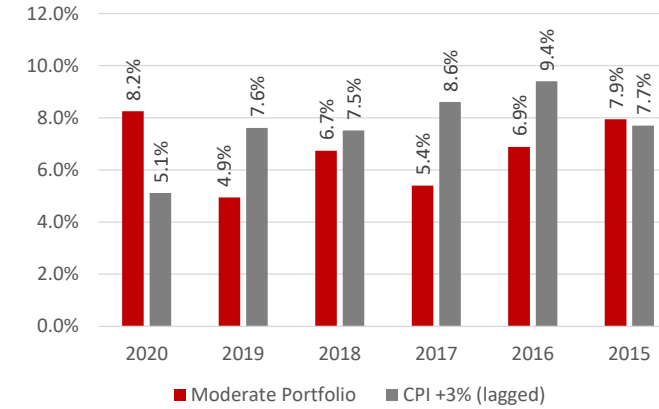


## CRF PORTFOLIOS - RETURNS PER FINANCIAL YEAR CHARTS

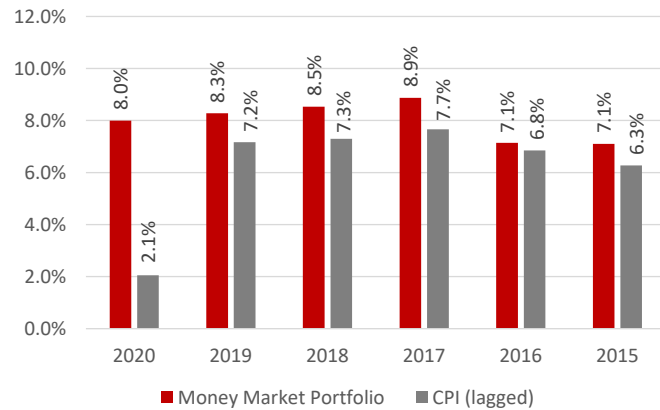
**Growth Portfolio - Returns vs CPI + 4.5% Target per Financial Year**



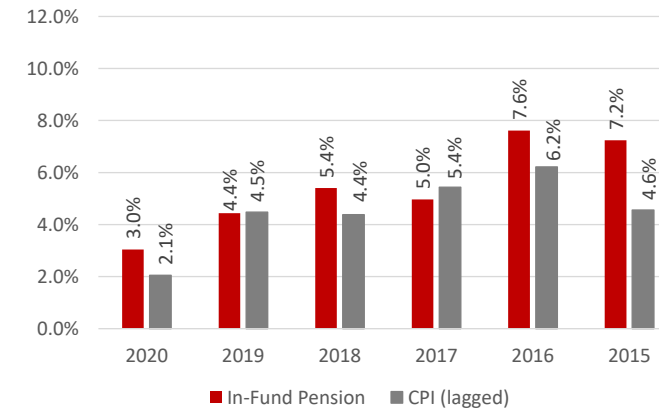
**Moderate Portfolio - Returns vs CPI + 3% Target per Financial Year**



**Money Market Portfolio - Returns vs CPI Target per Financial Year**



**In-Fund Pension - Returns vs CPI Target per Financial Year**

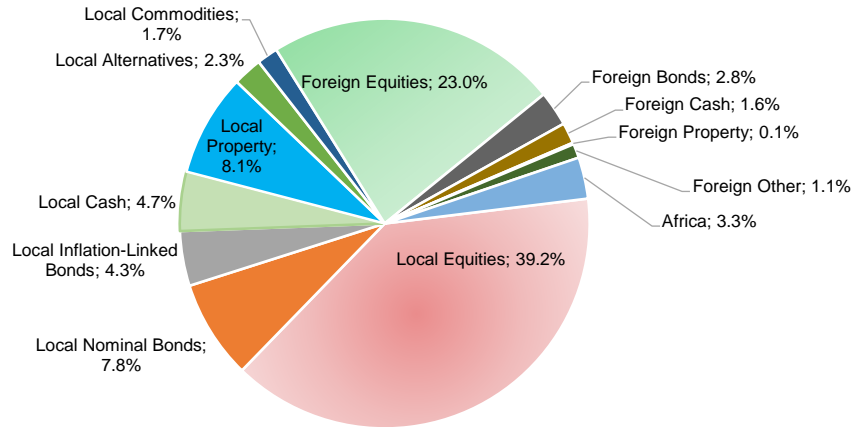


# ASSET ALLOCATION SUMMARY

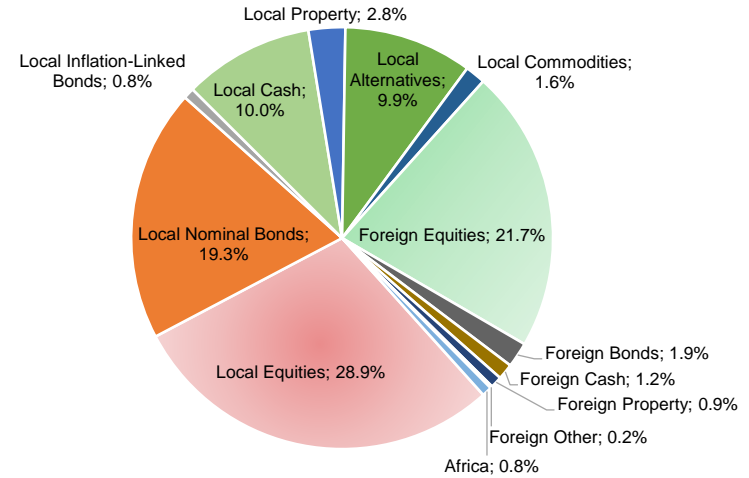
## CRF PORTFOLIOS - ASSET ALLOCATION



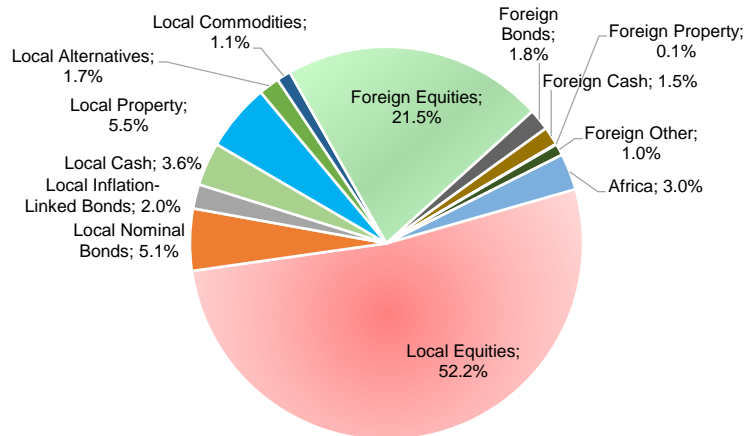
### Growth Portfolio



### Moderate Portfolio



### Aggressive Portfolio

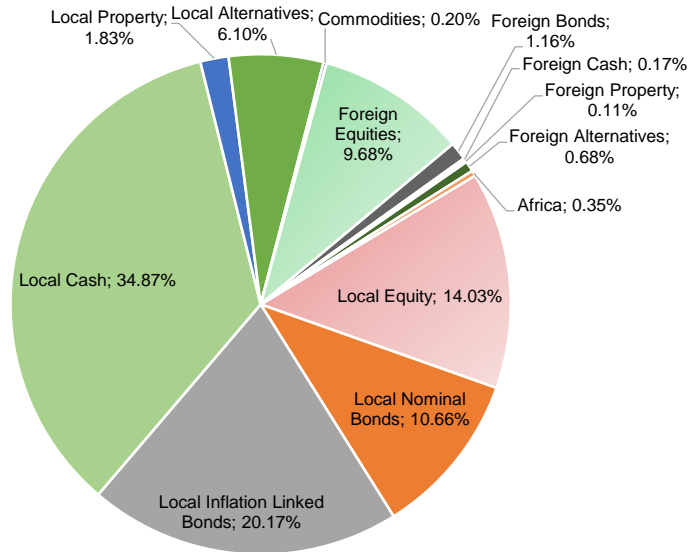


# ASSET ALLOCATION SUMMARY

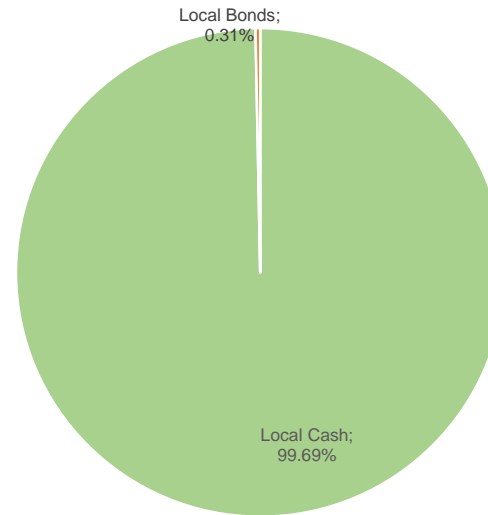
## CRF PORTFOLIOS - ASSET ALLOCATION



### In-Fund Pension



### Money Market Portfolio

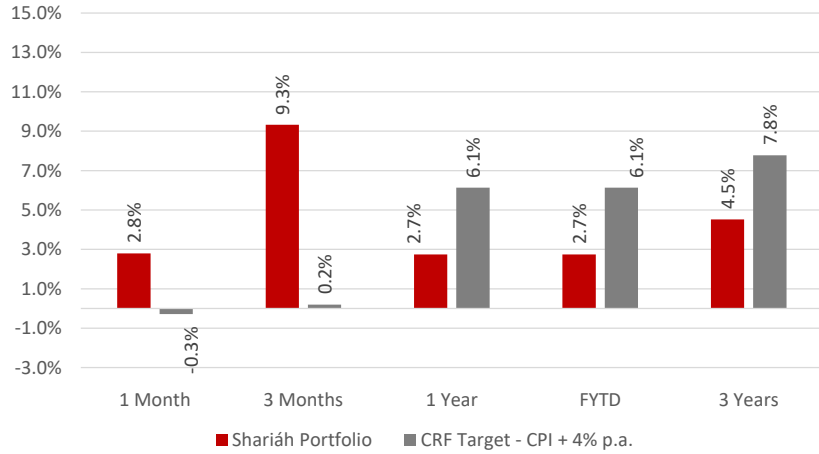


# SHARI'AH PORTFOLIO

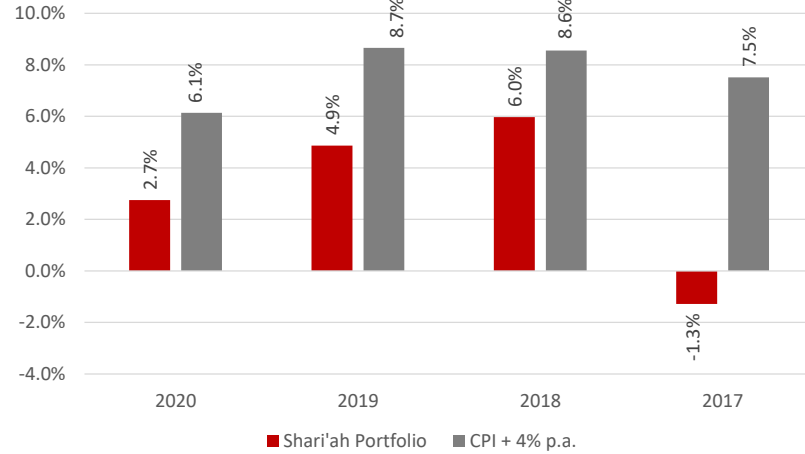


## Returns and Asset Allocation

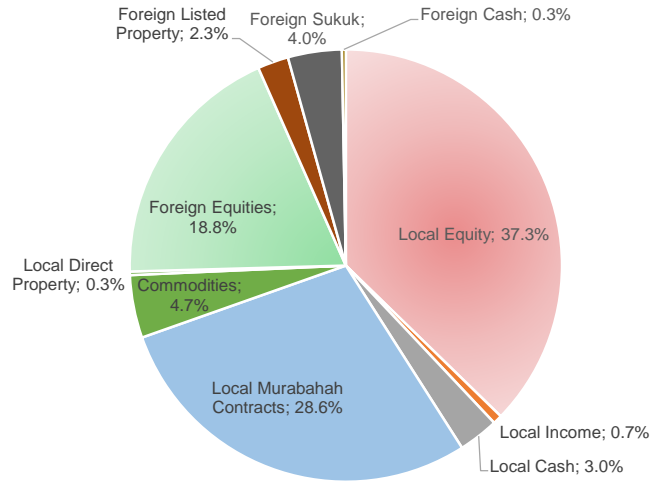
Shari'ah Portfolio vs CPI + 4% Target



Shari'ah Portfolio - Returns vs CPI + 4% Target per Financial Year



Shari'ah Portfolio - Asset Allocation





# CRF DEFAULT INVESTMENT PORTFOLIOS

## TOP 10 EQUITY HOLDINGS AND EQUITY SECTOR ALLOCATION



Jun-20

### Growth and Aggressive Portfolios - Top 10 Holdings

Share	
NASPERS LIMITED	18.6%
ANGLO AMERICAN PLC	6.1%
BRITISH AMERICAN TOBACCO PLC	5.8%
PROSUS	4.1%
FIRSTRAND LIMITED	2.9%
STANDARD BANK GROUP LIMITED	2.7%
NEPI ROCKCASTLE PLC	2.3%
IMPALA PLATINUM HOLDINGS LIMITED	2.2%
BHP BILLITON PLC	2.1%
MTN GROUP LIMITED	1.8%
	<b>48.6%</b>

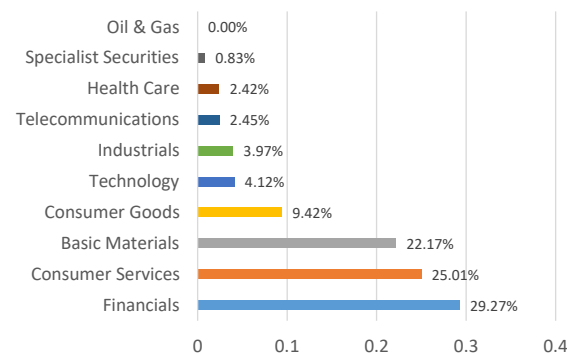
### Moderate Portfolio - Top 10 Holdings

Share	
NASPERS LIMITED	16.4%
BRITISH AMERICAN TOBACCO PLC	9.5%
FIRSTRAND LIMITED	5.0%
ANGLO AMERICAN PLC	4.4%
STANDARD BANK GROUP LIMITED	4.3%
BHP BILLITON PLC	3.0%
MTN GROUP LIMITED	2.6%
GLENCORE XSTRATA PLC	2.6%
SASOL LIMITED	2.6%
OLD MUTUAL LIMITED	2.4%
	<b>52.6%</b>

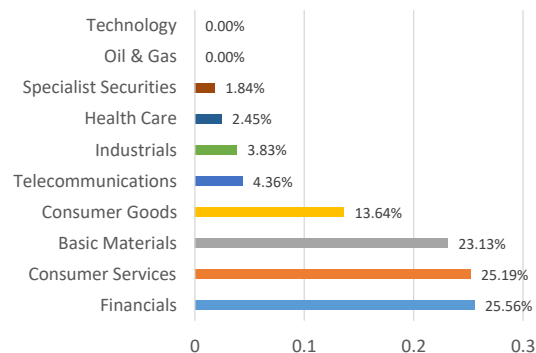
### In-Fund Pension Portfolio - Top 10 Holdings

Share	
NASPERS LIMITED	15.3%
BRITISH AMERICAN TOBACCO PLC	8.6%
FIRSTRAND LIMITED	5.7%
ANGLO AMERICAN PLC	5.6%
STANDARD BANK GROUP LIMITED	3.9%
BHP BILLITON PLC	3.2%
MTN GROUP LIMITED	3.2%
IMPALA PLATINUM HOLDINGS LIMITED	2.7%
SASOL LIMITED	2.5%
ABSA GROUP HOLDINGS	2.4%
	<b>53.2%</b>

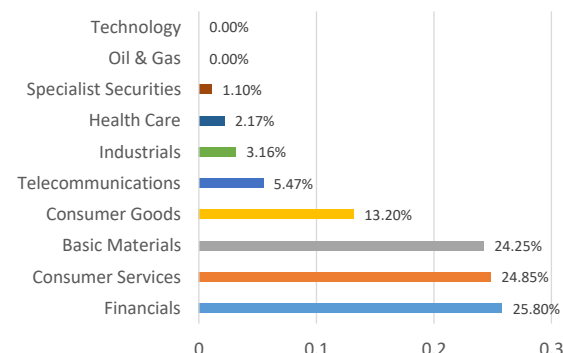
### Growth and Aggressive Portfolio - Sector Allocation



### Moderate Portfolio - Sector Allocation



### In-Fund Pension Portfolio - Sector Allocation



## COST ANALYSIS

### CRF PORTFOLIOS - TOTAL EXPENSE RATIOS FOR THE 2017, 2018, 2019 AND 2020 FINANCIAL YEARS



Jun-20

	12 Months ended June 2017			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	Total Investment Costs	Total Fund Expenses	Grand Total
CRF Aggressive Portfolio*	-	-	-	-	-	-	-	-	-	0.84%	0.23%	1.06%
CRF Growth Portfolio	0.31%	0.34%	0.66%	0.53%	0.23%	0.76%	0.69%	0.21%	0.92%	0.81%	0.23%	1.04%
CRF Moderate Portfolio	1.32%	0.34%	1.67%	1.21%	0.23%	1.44%	1.09%	0.21%	1.32%	0.44%	0.23%	0.66%
CRF Money Market Portfolio	0.59%	0.34%	0.93%	0.48%	0.23%	0.71%	0.18%	0.21%	0.41%	0.19%	0.23%	0.42%
CRF In-Fund Pension	0.42%	0.21%	0.63%	0.40%	0.13%	0.53%	0.53%	0.21%	0.76%	0.39%	0.23%	0.62%
CRF Shari'ah Portfolio	0.74%	0.34%	1.09%	1.06%	0.23%	1.29%	1.41%	0.21%	1.64%	1.04%	0.23%	1.26%
CRF Exit Portfolio	0.08%	0.34%	0.42%	0.16%	0.23%	0.39%	0.19%	0.21%	0.42%	0.21%	0.23%	0.43%

\* The Aggressive Portfolio does not yet have a 12-month history

#### Notes:

- 1) All figures are taken from the Annual Financial Statements, which are audited. Costs and Expenses have been allocated by average 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 uniform 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 member'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 -6.1%, which is an out-performance of 31.1% over the 1 year ended June 2020.