

CRF FOR LOCAL GOVERNMENT

CRF COSTS

For the financial years ended:

June 2019

June 2020

June 2021



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 2019, June 2020 and June 2021. **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.

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EXECUTIVE SUMMARY

CRF PORTFOLIOS - TOTAL EXPENSE RATIOS

2019, 2020 and 2021 Financial Years



	12 Months ended June 2019			12 Months ended June 2020			12 Months ended June 2021		
	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%	0.79%	0.16%	0.95%
CRF Growth Portfolio	0.69%	0.23%	0.92%	0.81%	0.23%	1.04%	0.77%	0.16%	0.93%
CRF Moderate Portfolio	1.09%	0.23%	1.32%	0.44%	0.23%	0.66%	0.67%	0.16%	0.83%
CRF Money Market Portfolio	0.18%	0.23%	0.41%	0.19%	0.23%	0.42%	0.21%	0.16%	0.37%
CRF Children's Benefit Portfolio							0.21%	0.16%	0.37%
CRF In-Fund Pension	0.53%	0.23%	0.76%	0.39%	0.23%	0.62%	0.36%	0.16%	0.52%
CRF Shari'ah Portfolio	1.41%	0.23%	1.64%	1.04%	0.23%	1.26%	1.04%	0.16%	1.21%
CRF Exit Portfolio	0.19%	0.23%	0.42%	0.21%	0.23%	0.43%	0.16%	0.16%	0.32%

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) The Children's Benefit Portfolio was only established in October 2020.
- 3) The Growth Portfolio has the largest exposure to alternatives (more than 15%), which provides good risk-adjusted returns, but at a higher investment fee.
- 4) 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 0.16% from 0.23%.
- 5) 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.
 - c) For the 2021 financial year, the TER of the Growth and Aggressive Portfolios includes performance fees of 0.29% while the Moderate Portfolio includes performance fees of 0.22%. The TER of the Growth Portfolio and Aggressive Portfolio without performance fees would have been 0.49% and 0.51% respectively and the Moderate portfolio 0.45%. Again, performance fees were paid to a manager that returned 31.6% in the financial year, which was 9.8% above its benchmark.