



FOR PROFESSIONALS

SINCE 1941

The PPS Profit-Share Account.
Your valuable retirement asset!

What is the PPS Profit-Share Account?

PPS Insurance has no external shareholders and exists solely for the benefit of its members. This unique advantage sets it apart from all other South African financial services providers. It also means that the profit PPS Insurance generates is shared exclusively among PPS members*.

You will receive profit allocations based on the insurance policies you hold with PPS Insurance and the value of your investments with PPS Investments. The more Units of Benefit in your PPS Sickness and Permanent Incapacity Benefit, the more PPS Provider™ products you hold and the larger your policy premiums, the greater your profit allocation from PPS Insurance. Similarly, your allocations from PPS Investments are based on the combined size of your investments with the company.

These allocations are distributed to the PPS Profit-Share Account and invested on your behalf. Accumulating over the course of your PPS membership, your profits become accessible at retirement via the Vested PPS Profit-Share Account. This offers you the unique advantage of supplementing your existing retirement savings while giving you the opportunity to continue sharing in the contributions PPS Investments makes to PPS Insurance.

*As part of a PPS Provider™ policy

How does the PPS Profit-Share Account work?

There are three phases to the PPS Profit-Share Account:

Accumulation Phase - Before age 55

All profit allocations are invested in the Pooled PPS Profit-Share Account Portfolio (High Equity), which targets a return of 5.3% above inflation over a rolling three to five-year period. This strategy aims for maximum levels of capital growth over the long term. However, it could result in short-term volatility, which heightens the risk of losing capital over shorter periods.

Pooled PPS Profit-Share Account Portfolio (High Equity)

This portfolio seeks to provide a total return in excess of 5% above inflation over the medium term. Mandated to hold no less than 50% of its assets in equities (and typically around 70%), the portfolio is emphatically weighted towards capital growth assets. It is suited to investors who are prepared to tolerate short-term market fluctuations to target inflation-beating returns. You should consider this portfolio if you have an expected investment horizon of at least seven years.

PHASE 01:
Accumulation

YOUR CURRENT PHASE

Pre-retirement Phase - Age 55 to retirement

From age 55, you can take control of the investment strategy of your PPS Profit-Share Account and can choose how your accumulated profits are invested through the PPS Profit-Share Account Portfolio Choice. If your other retirement assets are managed according to a lower-risk strategy, you can now ensure that your PPS Profit-Share Account is managed in the same way.

The opportunity to utilise the PPS Profit-Share Account Portfolio Choice or to switch between the available portfolios will be made once a year until your retirement.

PHASE 02:
Pre-retirement

Pre-retirement Phase - Age 55 to retirement

From age 55, you can take control of the investment strategy of your PPS Profit-Share Account and can choose how your accumulated profits are invested through the PPS Profit-Share Account Portfolio Choice. If your other retirement assets are managed according to a lower-risk strategy, you can now ensure that your PPS Profit-Share Account is managed in the same way.

The opportunity to utilise the PPS Profit-Share Account Portfolio Choice or to switch between the available portfolios will be made once a year until your retirement.

PHASE 03:
Post-retirement

Why would you utilise the PPS Profit-Share Account Portfolio Choice?

The Pooled PPS Profit-Share Account Portfolio (High Equity) targets maximum capital growth over the long term. As a result, it has significant equity exposure. Equity tends to outperform all other asset classes (such as bonds and property) over the long term, but at higher associated levels of short-term volatility. The greater the equity component in your portfolio, the greater your exposure to market growth in favourable markets. However, greater equity exposure also results in greater potential losses when markets fall.

These short-term losses may be substantial. For example, during the financial crisis of 2008, a portfolio predominantly exposed to equities could have experienced a drop in market value of more than 20%. While the market may recover quickly from such a loss, it is prudent to ensure that you allow for sufficient recovery time if this proves not to be the case.

If you are invested in the Pooled PPS Profit-Share Account Portfolio (High Equity), you should be comfortable that you either have enough time until your intended retirement to make up potential market losses or can withstand the financial impact of retiring with a potentially smaller profit share.

It is therefore essential that your portfolio selection is not based purely on performance history, but also takes your risk profile into account.

Portfolio options

You can now choose to invest your PPS Profit-Share Account in one of the following PPS Portfolios*.

* PPS Moderate Portfolio (Medium Equity)

This portfolio seeks to provide a total return of 4% above inflation over the medium term. Mandated to hold no more than 60% of its assets in equities, the portfolio provides considerable exposure to capital growth assets and reduced exposure to income generating assets. It is suited to investors who place a significantly larger emphasis on targeting inflation-beating returns than on limiting exposure to short-term market fluctuations. You can consider this portfolio if you have an expected investment horizon of at least five years.

40% Shorter-term assets

60% Maximum of 60% longer-term assets

* PPS Conservative Portfolio (Low Equity)

This portfolio seeks to provide a total return of 2% above inflation over the medium term. Mandated to hold no more than 40% in equities, the portfolio primarily provides exposure to assets likely to result in stable capital growth, as well as exposure to income-generating assets. It is suited to investors who place a relatively larger emphasis on targeting inflation-beating returns than on limiting exposure to short-term market fluctuations. You can consider this portfolio if you have an investment horizon of at least three years.

60% Shorter-term assets

40% Maximum of 40% longer-term assets

* PPS Flexible Income Portfolio (Fixed Interest)

This portfolio seeks to provide a total return with a strong income bias in excess of a broad fixed income market index. Mandated to hold no more than 10% in equities, the portfolio provides greater exposure to income generating assets and reduced exposure to capital growth assets. It is suited to investors who place a larger emphasis on limiting exposure to short-term market fluctuations than on targeting inflation-beating returns. You can consider this portfolio if you have an investment horizon of one to three years.

90% Shorter-term assets

10% Maximum of 10% longer-term assets

Alternatively,

you can choose to remain invested in the Pooled PPS Profit-Share Account Portfolio (High Equity).

*These portfolios are to varying extents not without risk and subject to movements in the markets in which they are invested. The more conservative portfolios have lower expected long-term returns and aim for lower risk exposure.

What is the current value of my PPS Profit-Share Account?

The value of your PPS Profit-Share Account is reflected in your PPS Statement of Benefits. This amount is split into an "Apportionment Account" – which reflects your share of the profits of PPS Insurance – and the "Special Benefit Account", which reflects the returns you have earned on these profits through investment in the PPS Profit-Share Account. Your PPS Statement of Benefits will reflect the value of your PPS Profit-Share Account as at the PPS Group's previous financial year-end (31 December 2013). This value is updated at the end of April each year, when the Group's annual financial results are finalised.

Should you therefore request your PPS Statement of Benefits between January and April of any given year, this amount will not yet reflect the value as at the most recent year-end, but as at the end of December for the preceding year.

How much is allocated to my PPS Profit-Share Account in the year I retire?

You will receive a pro-rata allocation for the portion of the year from 31 December to your retirement date, based on the previous year's allocations. The investment return you receive will be the year-to-date investment return.

A unique retirement proposition

Exclusively available to PPS members, the combination of the Vested PPS Profit-Share Account with the PPS Living Annuity presents an exceptional advantage in managing your retirement savings.

The most important aspect of retiring securely is ensuring that your savings last throughout the entire course of your retirement. The drawdown you select from your living annuity (the amount and frequency of your annuity payments) therefore plays a vital role in the sustainability of your retirement funding. The Vested PPS Profit-Share Account allows you to supplement the income from your living annuity and to keep your drawdown to a minimum. It therefore increases the longevity of your living annuity and other sources of retirement funding.

For as long as your Vested PPS Profit-Share Account remains active and you remain invested with PPS Investments, you'll also continue to share in the contributions PPS Investments makes to PPS Insurance.

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