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INVESTMENTS

KEEPING IT REAL: ENSURING YOUR INVESTMENTS BEAT INFLATION

By PPS Investments

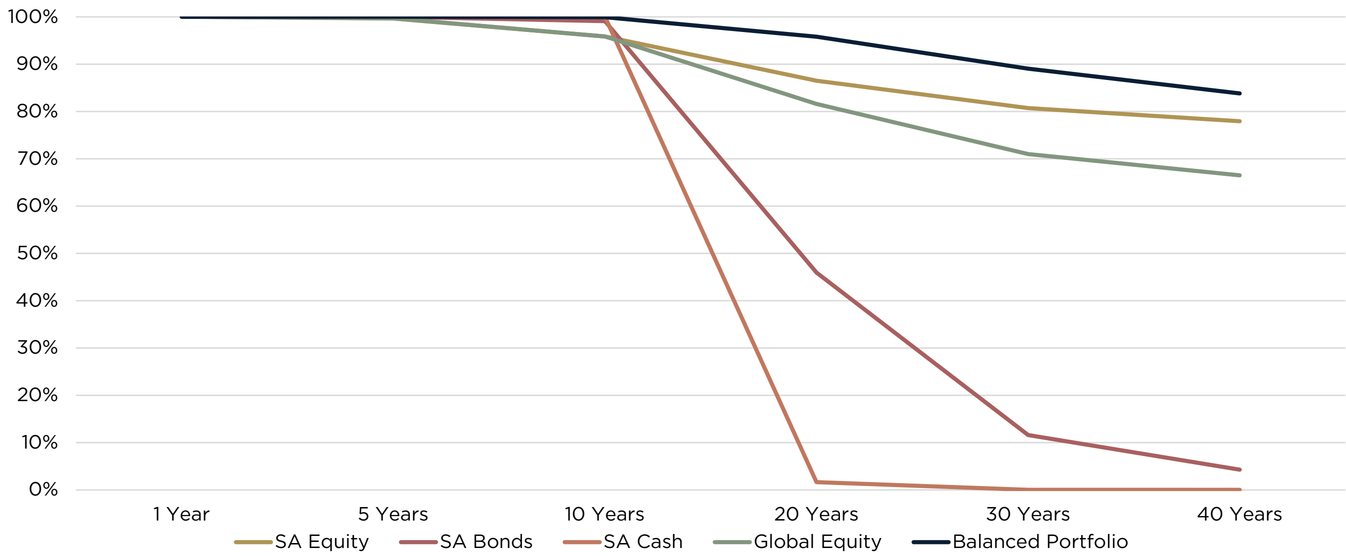
Reaching retirement is a significant milestone, but but portfolios now face two key challenges: inflation and longevity. It is not only about funding higher future living costs; it is also about sustaining an income over a retirement that could span multiple decades.

To maintain a sustainable income, avoiding risk can be the riskiest approach.. This reality fundamentally shifts how post-retirement solutions are constructed. Retirees must consciously embrace additional risk and growth assets to actively outpace inflation, ensuring their capital lasts throughout their retirement.

REAL RETURNS OVER TIME

Using a Monte Carlo simulation of 10 000 potential outcomes, Graph 1 shows the success rate over increasing investment horizons of providing a 5% drawdown in retirement, increasing with inflation. Over the short term, all asset classes deliver a high success rate. However, after 10 years, the success rate of fixed income asset classes such as cash and bonds drops significantly.

Graph 1: Success rate of various asset classes of providing 5% drawdown in retirement.



The balanced Portfolio the PPS CPI +5% house view portfolio.

The graph shows that both local and global equity provide a higher success rate over the medium to long term than fixed income. The real winner is a well-constructed balanced portfolio that combines sufficient growth assets with the benefits of diversification to deliver the best risk-adjusted outcome for clients in retirement.

CONCLUSION

The PPS Retirement Income Solutions are designed with investment horizons of up to 40 years, recognising that longevity meaningfully extends the period over which capital must provide an income.

This requires a deliberate balance between achieving real returns above inflation and protecting capital through varying market conditions. By anchoring portfolios to explicit inflation targets while incorporating prudent risk management, these solutions aim to deliver sustainable income streams that enable long-term financial stability without exposing clients to unnecessary risk.