

# KEY INFORMATION DOCUMENT

PSG WEALTH SINGLE STOCK FUTURES  
TRADING ACCOUNT





# KEY INFORMATION DOCUMENT

## PSG WEALTH SINGLE STOCK FUTURES TRADING ACCOUNT

This document is a summary of key information about the PSG Wealth Single Stock Future (SSF) trading account. It will help you understand the account and make an informed decision. This is a summary only. It is not a legal or binding document, nor should it be considered as advice. Before deciding to open an account, we suggest you read the whole document together with the terms and conditions.

### ABOUT THIS ACCOUNT



#### What is a single stock futures trading account?

This account enables you to have exposure to price movements on an underlying share without physically owning the share. A futures contract is a legally binding agreement that gives the trader the ability to buy or sell an underlying listed share at a fixed price on a future date.

Single Stock Futures (SSFs) are traded on the Johannesburg Stock Exchange (JSE). They are standardised contracts with set specifications regarding size (the number of shares per contract) and futures contract's expiry dates.

#### How does an SSF trading account work?

Investors are required to pay an initial margin ('good faith' deposit) upfront when trading in SSFs, which is held by the JSE. Interest is earned daily, and paid out monthly. When positions are closed the initial margin plus interest is paid back.

Profits and losses are settled daily in an SSF account (variation margin). In the case where losses exceed the cash amount in SSF accounts, the investor will receive a margin call, and be required to deposit a variation margin.

The notional value of an SSF contract is usually equal to 100 times the underlying share's future price. This is because the contract is an agreement to buy or sell 100 shares at a certain point in the future.

#### Example:

For example, if company A is trading at R20, then holding one futures contract is equivalent to investing R2 000 in that company. However, the investor is only required to pay an initial margin of R2 per share or  $R2 \times 100 = R200$  per contract. Initial margin is usually 10% - 15% of the value of the underlying shares. Due to this concept, called gearing, SSFs provide exposure to the underlying share at a lower cost and using much less capital up front than trading in the underlying share. Effectively the investor has agreed to buy 100 shares in the company when the contract expires and to pay interest on the loan of the R2 000. This interest is agreed upon in the futures price.

So instead of paying R20 per share the investor will pay R21 per share in 6 months' time. This R1 over the spot price indicates the terms of the loan an interest rate of 5% over 6 months. To guarantee that both parties will fulfil their side of the trade, deposits of initial margin are placed with the clearing house.

A contract holder can exit a futures contract before the expiry date (this is called closing your position) or keep the contract until the expiration date.



#### Who offers this account?

PSG Securities is a member of the JSE and registered with the Financial Sector Conduct Authority (FSCA). PSG Securities forms part of PSG Wealth, the brand under which this account is marketed.



# KEY INFORMATION DOCUMENT

## PSG WEALTH SINGLE STOCK FUTURES TRADING ACCOUNT

### KEY FEATURES OF THE PSG WEALTH SINGLE STOCK FUTURES ACCOUNT



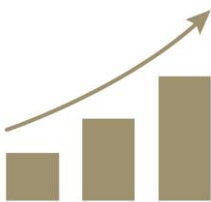
#### Who is this account suitable for?

- Clients who want to use a geared product to have exposure to the top 100 JSE listed shares or Satrix listed exchange traded funds (ETFs).
- Hedgers seek to reduce risk by protecting an existing share portfolio against possible adverse price movements in the physical (or spot) market. Hedgers have a real interest in the underlying shares and use futures as a means of preserving their performance.
- Speculators use SSFs in the hope of making a profit on short-term movements in the futures contract price. They often buy and sell derivatives contracts in their own right without transacting in the underlying share. Speculators may have no interest in the underlying shares other than taking a view on the future direction of its price.



#### Who is this account not suitable for?

- Clients who do not want to be subjected to volatile markets.
- Clients who want capital protection.



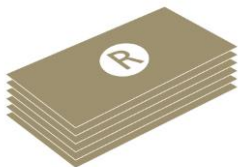
#### Minimum Investment

There is no minimum and a trader can buy or sell as little as one contract. When a trader opens a SSF position (either long or short), they have to pay an initial margin. This is a fixed rand amount per SSF contract (set at approximately 15% of the exposure value on the underlying share). As an example: a R15 000 initial margin will buy SSF contracts with an exposure worth R100 000. The initial margin is always kept separate and cannot be withdrawn from your SSF trading account.

#### What can I trade?

With your SSF account you can trade futures in the top 100 shares by market capitalisation, Satrix40 ETFs, JSE traded index futures (such as the ALSI40), global commodity futures (such as gold or oil) and international derivatives (such as futures on Apple or Starbucks).

### TAX



#### Tax considerations

- As a trader of SSFs, all profits are deemed as taxable income. You are then taxed on profits or losses at your marginal tax rate.
- PSG Wealth provides yearly tax statements.
- For any tax considerations, please consult your financial adviser or tax consultant.



# KEY INFORMATION DOCUMENT

## PSG WEALTH SINGLE STOCK FUTURES TRADING ACCOUNT

### ACCESS TO YOUR INVESTMENT

- You can view your SSF trading account online anytime by logging onto our secure website.
- You can buy and sell SSF contracts during JSE trading hours.
- The cash from the sale transaction will be available immediately for the next purchase transaction.
- Cash is only available for withdrawal after one business day.
- Depending on your bank, the transfer can take a further two business days.

Can I use the account as security for a loan?

- No.

Is it protected against my creditors?

- No.

Can I transfer my SSF trading account to another stockbroker?

- Yes.

What happens if I die?

- Your SSF account forms part of your estate and may be subject to tax.

### BENEFITS



What type of benefits can I expect?

- SSFs are a cost-effective way to gain exposure to equity markets.
- SSFs are characteristically liquid and easily traded.
- With margin requirements of approximately 15% of the total exposure, SSFs provide a highly capital efficient way to participate in shares.
- You can short (sell) futures, and benefit from a downward price movement.
- The pricing of SSFs is transparent.
- Wholesale interest rates are used in pricing and trading these instruments even for a retail investor.
- SSFs are exchange regulated and are guaranteed by the JSE'S clearing house. This means that even if the counterparty is unable to pay their losses the clearing house will ensure that any profits due are paid.
- Direct market access (DMA), which means that you can trade directly on the exchange without PSG adding to the ruling bid/offer spread price.
- You may subscribe to live prices
- Set up watchlists to track shares
- Set up alerts to new opportunities that match your trading strategy
- The ability to manage risk by setting up a 'price watch' facility
- Free fundamental research and scanning tools



# KEY INFORMATION DOCUMENT

## PSG WEALTH SINGLE STOCK FUTURES TRADING ACCOUNT

### RISKS



Can I lose money?

- Yes, your returns may not perform as expected. Your position is linked to the market value and/or currency movements of the instruments chosen and is not guaranteed.
- It is important to ensure that you are comfortable with the level of risk your chosen instruments carry. You are not able to transact on an instrument suspended by the JSE or other relevant exchanges. If you are unsure of how to invest, a financial adviser may help you to make appropriate choices.

### FEES



What fees will be charged?

- Brokerage fee of 0.4% (excluding VAT) on the value of the transaction.
- Market maker's fee of 0.1% (excluding VAT) on the value of the transaction.
- Booking fee of R52.63 (excluding VAT) on the opening leg of the trade.
- For SSFs, the funding interest rate applicable to long positions is set at approximately Prime -2% and interest is earned on short positions at approximately Prime -4%



# KEY INFORMATION DOCUMENT

## PSG WEALTH SINGLE STOCK FUTURES TRADING ACCOUNT

### BEFORE YOU DECIDE



Before you decide whether or not to open an account, it is recommended that you consider the following:

Each SSF is unique and comes with its own associated risks, including volatility. This might not be a suitable investment for all investors and will depend on your risk appetite and the time you have on hand to watch the markets. It is advisable to educate yourself about shares and the principles of trading.

1. Compare this account with other products that could also meet your financial needs. These could include:
  - Other types of equity linked products such as [unit trusts](#), local equities and offshore investments.
  - Other types of derivative products such as Index futures, International Derivatives, [Contracts for Difference](#) and [Currency futures](#).
2. A Key Information Document like this one has to be produced for all financial products to help you make these comparisons. Find Key Information Documents for other products that could suit your needs or ask your financial adviser to get these for you.
3. If you do not have a financial adviser, consider whether an authorised financial adviser could help you to make appropriate financial decisions. If you obtain advice, insist that your adviser gives you proof that he or she is qualified to advise you on this type of product. You should also get full details of the fees, commission or incentives your adviser will get if you invest in this product with his or her assistance.

---

This document is only a high-level summary of the PSG Wealth local share trading account. We encourage you to ask further questions. You should also read the detailed terms and conditions for the PSG Wealth local share trading account, which you can request from us. You can get more information from your financial adviser or from PSG Wealth directly: email [clientservice@psg.co.za](mailto:clientservice@psg.co.za), call 0860 774 774 or visit [www.psg.co.za](http://www.psg.co.za).

---

PSG Wealth offers a range of unit trusts and multi-managed portfolios, each with different underlying instruments. Make sure you read their Fund Fact Sheets which you can request from us. These will give you important information on their investment fees, risks and objectives.

---

Ask PSG Wealth or your financial adviser to give you details on the overall impact of investment fees on your investment over time. Also ask for information on the past performance of the underlying instruments you want to include in your investment, but remember that past performance is not a guarantee of future performance.

---