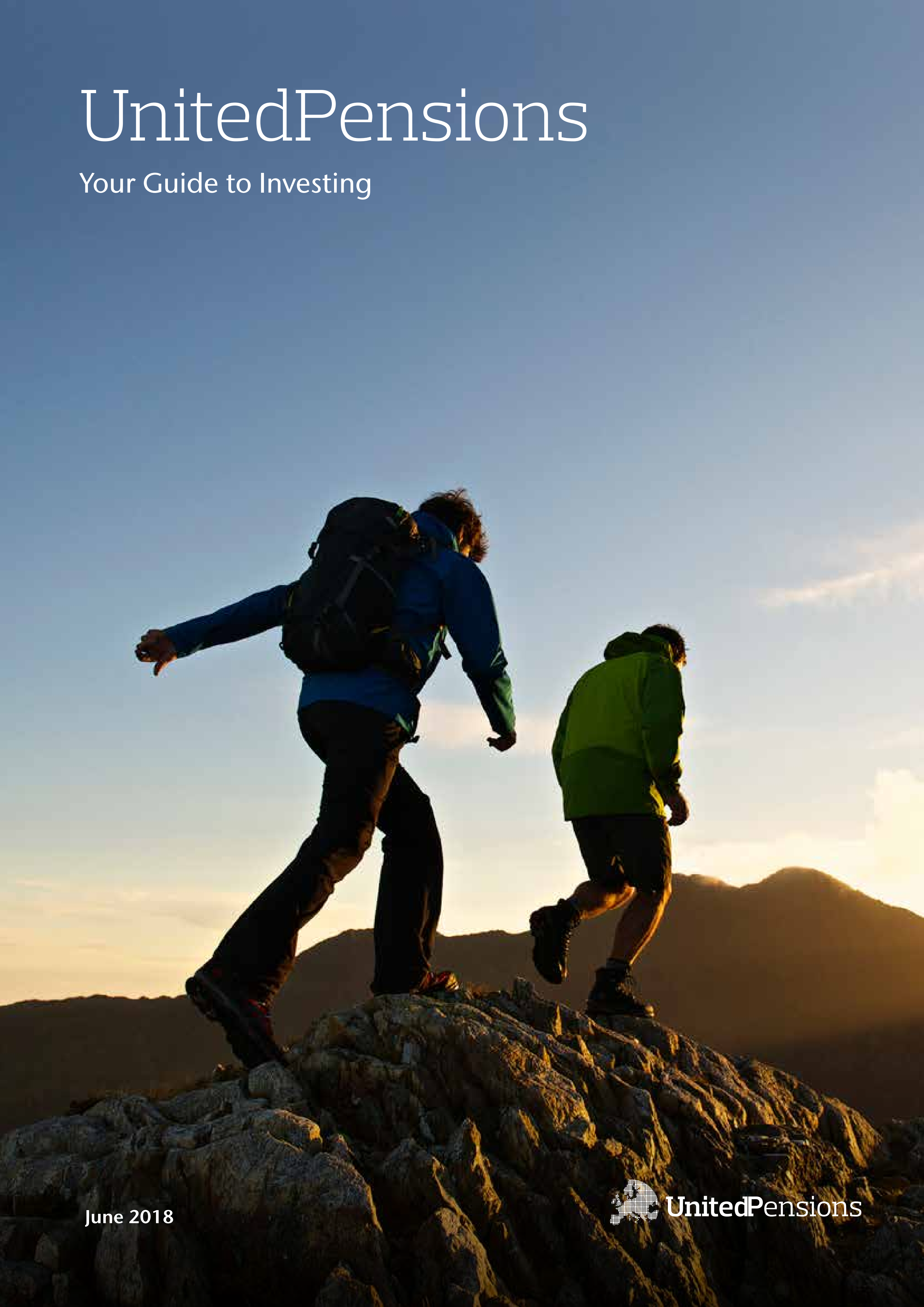
UnitedPensions

Your Guide to Investing



June 2018

UnitedPensions

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Important: This guide contains a number of specific references which were correct at the time of going to press. For the most recent information, please see the latest version of this guide and other documents on the **Plan Information & Documents** section of The UnitedPensions member website under **My Pension**.

While every care has been taken in the preparation of this guide to make sure that it is accurate and that it reflects government legislation and tax rules in force at the date of this guide, the information in this guide is provided as guidance only and is subject to change and so action should not be taken as a result of this document alone. Nothing in this guide should be interpreted as legal, financial, investment or tax advice and you should consider contacting your own independent advisers if you require such advice or if you are unsure. Nothing stated in this guide imposes any legal rights, as these only arise under the governing rules of your Plan and UnitedPensions (including the Bylaws, Management Agreement and Act of Accession) ("Rules"). If there is any inconsistency between this guide and the Rules, the Rules take precedence. You can get a copy of the Rules of UnitedPensions from the Plan Information & Documents section of the member website under My Pension, or by contacting the UnitedPensions Contact Centre whose details are set out in the Plan Summary document.

Welcome to UnitedPensions

As a member of UnitedPensions, contributions are made to your account so that you can receive the benefits in your retirement. But there's more to pensions than just making contributions. How you choose to invest your pension capital in UnitedPensions is an important decision that can make a real difference to the value of your capital and the level of retirement benefits it will provide for you. There's a lot to consider, so it's important to take the time to understand your options and decide what is right for you.

This guide aims to help you to understand your investment options and to make your investment choices.

Although you have the ability to instruct how you wish your account to be invested, you do not have any direct interest in the units, the investment funds or the assets of the investment funds.

We aim to explain your benefits as simply as possible, but some technical terms are unavoidable.

Those we had to include are highlighted in light blue, with a list of definitions on pages 22 and 23.

What if I don't make an investment choice?

If you don't make an investment choice, your pension capital will be invested in line with the default strategy for your section. This is selected by your employer and is usually a suitable investment profile for a typical employee.

Options for your pension capital at retirement

When you reach your retirement age, the total amount of your saved pension capital will be available to you. What options do you have for this capital and what suits your personal situation best?

1. Fixed annuity with a Dutch insurer

Traditionally you have to purchase a lifelong, guaranteed, payment with an insurer using the capital saved. This is a guaranteed monthly payment. Due to low market interest rates and life expectancy, the pension payments can be relatively low. The advantage is that your pension can not be reduced. This is usually a nominal fixed payment which will remain the same amount during your retirement. Occasionally it is possible to select a lower starting pension with fixed increases.

2. Variable annuity with a Dutch provider

Due to new legislation you can choose to continue investing the pension capital after retiring. Your pension payment will be determined on an annual basis. The amount can vary per year, depending on the return on investment, the development of interest rates and life expectancy. Your benefit might be slightly higher than a guaranteed pension with an insurer. However, there is no guarantee. If the investment returns are low, interest rates are going down or life expectancy increases, then this will result in a reduction in your pension payment.

During active participation, and specifically ten years before your retirement, we take your choice of these two options into account. Those targeting option one will be invested in the annuity LifeCycle, and those targeting option two in the drawdown LifeCycle. In both LifeCycles the investment mix depends on your age. The investment mix will include a higher percentage of less risky assets the closer you are to retirement.

If you are targeting the option of purchasing a fixed annuity the percentage of less risky assets is increased more quickly than if you are targeting a variable annuity. Please be aware that your choice is not final and you can always change your choice as long as you haven't retired yet. However this can impact your investment returns.

What type of investor are you?

We recognise that it can be difficult to select the investment option that works best for you. To make it easier, we created three approaches designed to reflect the level of involvement that you wish to have in managing your investments. Based on what you choose, different investment options are available.

Some people want to read all of the literature and make their own choices. Others want to leave the decision making to the professionals. Read these profiles to determine what type of investor you are and which option you may wish to consider. In the member portal you can tell us what type of investment profile you want to be in. It is possible to change your investment profile at any time.

Do it for me

If you don't have the time, desire or knowledge to take an active role in your account, this may be the option for you. Investing in the default LifeCycle helps to take the guesswork out of investing. In this approach your pension contributions are invested in the LifeCycle selected by your employer which follows the LifeCycle investment strategy. The funds in the LifeCycle automatically change how your money is invested over time and diversify across different asset classes.

Help me do it

If you want to be involved but need some help along the way, this may be the option for you. You have the opportunity to choose between two types of LifeCycles; the Drawdown or Annuity.

1. Drawdown which targets
– Variable annuity with a Dutch provider

2. Annuity which targets
– Fixed annuity with an insurer

After deciding which LifeCycle is best for you, you can select the level of your risk. Instead of investing in the default balanced risk profile, you can switch to the defensive or growth riskprofile. This way you can choose a more suitable investment profile aligned with your individual risk tolerance, and still benefit from funds which automatically change how your money is invested over time and diversify across different asset classes. You don't need to make any investment decisions yourself.

Give me full control

If you want full control over your investments and would like to take a more hands-on approach, investing in one or more of the Self Select Funds may be suitable for you.

This approach lets you choose from a number of funds which have different characteristics. When you have made your choices, it's particularly important you keep a close eye on how your chosen investments are performing, particularly in the lead-up to retirement.

If you have questions

If you want to know more about the investment options available to you in UnitedPensions, you can contact us directly per email: **updc.masterfund@inadmin.nl** or call **+ 31 (0) 20 583 10 50**.

Individual advice and guidance
In case you are in need of specific advice regarding your individual situation, you should contact your personal financial advisor. In some cases your employer has made special agreements with their corporate pension advisor to facilitate individual advice. Please ask your employer for more information.

How do I choose my investments?

When it comes to investing, people have different comfort levels and experience. Whether you want to be hands-off or very involved in managing your account, it's important that you have an understanding of the investment basics. In this section, we'll help you understand:

- ✔ **What is the relationship between risk and return?**
- ✔ **What is risk?**
- ✔ **What does risk mean for me?**
- ✔ **What types of assets are available?**
- ✔ **Why is diversification important?**
- ✔ **What investment management styles are used?**
- ✔ **What charges are associated with investing in the funds?**

What is the relationship between risk and return?

The fundamental investment principle is that investments offering higher potential returns generally involve taking more risk. To put this another way, if you want to reduce your risk, you must be prepared to accept a lower return.

To achieve your target retirement income, you will need to consider the contributions you make alongside the level of risk that you are comfortable with taking. The level of risk you are prepared to take will depend on your personal circumstances. Understanding risk and your attitude to risk is essential if you are to make the decisions that are right for you.

Further information on risk and how to determine your attitude to risk can be found on the member website at **myunitedpensions.nl**

Log in and click through to the **My Pension** section. Then go to the **Plan Information & Documents** area, where you will be able to locate the **Investment Risk Profiler**.

What is risk?

Your investment choice will partly depend on your attitude to certain risks. For some people, the risks associated with investments can be daunting, but they don't have to be.

There are four main risks you need to be aware of when choosing how to invest your pension capital:

- **Investment risk.** This is the risk that the value of your investments will go down and you will end up with less than you have paid in. Any investment has risks, and the value could go up or down. You would typically expect to earn a higher return over the long term from those asset types that have higher investment risk, but this is not guaranteed.
- **Inflation risk.** This is the risk that your investments don't grow as quickly as the rate of increase in the cost of living, or inflation. For example, if inflation is 4% per annum over time and your investments are only growing at 2% per annum, rising prices will erode the value of your savings.
- **Currency risk.** If some of your investments involve overseas funds and the exchange rate at the time is less favourable, it will reduce your fund value and consequently the value of your account. By how much will depend on how much of your account is invested in the particular overseas asset or assets.
- **Retirement shortfall risk.** This is the risk that the value of your savings account at retirement is not enough to fund your retirement needs.

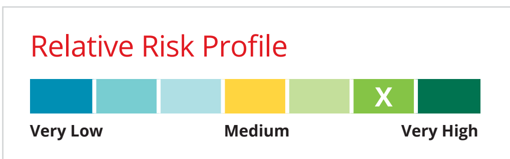
What does risk mean for me?

Your approach to risk will depend on your personal circumstances. For example, if you are investing for a long time, you can usually afford to take more risk, as you will have a longer time period to recover from any losses. However, if you only have a short period of time until you retire, it may not be appropriate to invest in funds that are classed as high risk, as your investments may fall in value and you may not have the time to make up these losses.

A fund's risk level is normally linked to the likelihood of larger gains and larger losses. The higher the probability of a larger gain and loss, the more volatile, or higher risk, the investment. The higher the risk, the more likely the fund value will go up or down on a day-to-day basis and the larger these potential changes could be.

To help you select the funds that are appropriate for you, each of them has been given a risk rating using a scale of one to seven, with one being the lowest risk and seven the highest risk. The risk ratings are relative to other funds, and it's important to note that there is some investment risk for all of the funds—even those with a very low relative risk rating of one.

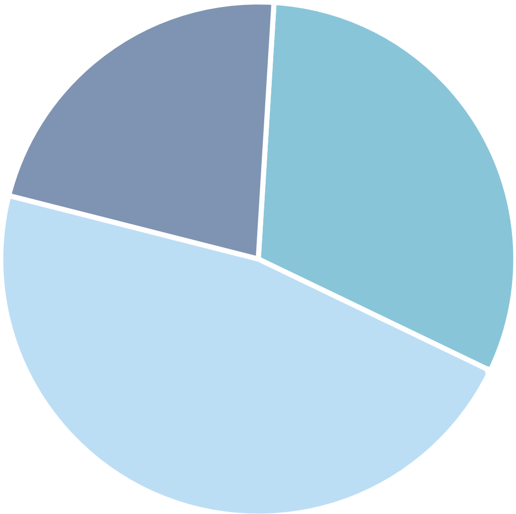
The risk ratings for the different sets of funds are explained later in this guide.



What types of assets are available?

There are many different types of investments, or assets. All funds invest in at least one asset type, and many invest in several. Understanding the different asset types puts you a step closer to making an informed investment decision.

Fixed income	Fixed income is a type of investment in which return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income pose less risk than equities. As the name suggests, a fixed income is a pre-determined amount of income that is paid by an issuer and earned by an investor. Fixed-income investors do not have an ownership stake in the company but act as lenders of capital. In exchange for interest, fixed-income investors lend their money to firms or government. As a result, they are considered creditors and often have a higher claim than shareholders in case of bankruptcy or default, making the investment less risky than equity.
Equities	Equities are shares in a company, which can be bought and sold on a stock market. The shareholder 'owns' part of the company, and the value of the investment will rise and fall depending on economic conditions, market conditions and how well the company is doing. Historically, equities have achieved higher long-term growth than other types of investments. That said, equity prices can rise and fall quickly, and sometimes dramatically.



Why is diversification important?

In investment terms, diversification means spreading your savings among a variety of investments. Diversification helps protect against investment risk and volatility (sudden or unexpected changes in value) that can result from putting your money in just one investment or asset class.

UnitedPensions offers different investment options—some are diversified, while others are not. For example, the funds selected in the LifeCycles are diversified across asset classes and managed by professional managers. If you choose to manage your own investments, you'll need to make sure your overall portfolio is sufficiently diversified by selecting investment options that align with your strategy, time horizon, and attitude to risk.

What investment management styles are used?

There are two styles of investment management, and knowing how each one works can help when you're thinking about how to invest your account.

- **Active:** Active management aims for returns that are higher than a particular market index. To try and achieve this, the investment manager carries out research (of a specific company, for example) before deciding whether or not to buy individual shares or other types of assets. So active management allows the investment manager to pick and choose the investments they think will perform well.

  Actively managed funds offer the potential for higher-than-average returns, but with the risk of a return below the market index.

- **Passive:** Passive management aims for returns that are in line with a particular market index. To try and achieve this, the investment manager invests in broadly the same investments as the market, and in the same proportions, rather than selecting specific shares or securities that may or may not perform better.

Management costs

The costs for passive management are typically lower than those for active management. This is because, quite simply, active management is a more 'involved' or 'hands-on' process. In the portal you can find specific information about the costs per fund.

Overview of your investment options – three ways to invest

Do it for me investors	Help me do it investors	Give me full control investors

Do it for me investors: This section is important if your account is invested in the default option. This has been selected by your employer.

Help me do it and Give me full control investors: Understanding the LifeCycle investment strategy is important if you choose to invest in this range of funds.

One of our other standard LifeCycles might be right for you if you don't want the responsibility of making regular investment decisions, or if you believe that you would make decisions to invest in funds similar to those used for in the offered LifeCycle(s).

The LifeCycle provides you with an opportunity to grow your savings over the majority of your working life, while automatically moving your savings into less risky asset classes as you near retirement.

The key features of the Funds in our LifeCycle are:

- Professionally managed and diversified across different asset classes, depending on where each fund is relative to its target date. The funds use mainly passively managed investment funds.
- You don't need to make any investment decisions yourself.
- Aims to beat the potentially damaging effects of inflation on the value of your pension savings over the long term by investing in growth assets, such as equities, during the early years.
- As the fund approaches its target date, the way the fund is invested changes with the aim of helping to protect the amount of pension you can expect to receive (although this depends on the asset mix in the LifeCycle chosen and is not guaranteed), while still looking to achieve an element of growth.

REVIEW YOUR INVESTMENT OPTIONS

You should review your chosen investment option from time to time and inform UnitedPensions as soon as possible if you want to change it. Otherwise, the fund you are invested in may not be suitable. As a result, you could end up being exposed to unnecessary risk or, alternatively, you may miss out on potential higher returns.

About the plan's investment manager

UnitedPensions has chosen Hewitt Risk Management Services Limited (HRMSL) and Aon Hewitt Risk & Financial Management B.V. They are responsible for the design of the investment portfolio and the selection and monitoring of asset managers.

The investment objectives of UnitedPensions are:

- Establish an optimal investment strategy for each LifeCycle
- Review the investment strategy at least once every three years
- Capitalise the best ideas to take advantage of market opportunities
- Select managers/funds based on Aon's global expertise and experience;
- Monitor funds regularly to remove or change underlying managers quickly if required.
- Adjust asset mixes according to the chosen LifeCycle and riskprofile.

LifeCycles

Do it for me investors

Help me do it investors

UnitedPensions designed two LifeCycles if you are a 'do it for me' or 'help me do it' investor, namely the Drawdown and the Annuity LifeCycles which target different retirement options. For each of these LifeCycles you can also choose for one of the three riskprofiles Balanced / Defensive / Growth.

LifeCycles and risk profiles	Description
Balanced LifeCycle Drawdown	Medium risk – targeting a variable annuity with a Dutch provider
Defensive LifeCycle Drawdown	Lower risk – targeting a variable annuity with a Dutch provider
Growth LifeCycle Drawdown	Higher risk – targeting a variable annuity with a Dutch provider
Balanced LifeCycle Annuity	Medium risk – targeting a fixed annuity from an insurance company
Defensive LifeCycle Annuity	Lower risk – targeting a fixed annuity from an insurance company
Growth LifeCycle Annuity	Higher risk – targeting a fixed annuity from an insurance company

In the LifeCycle the percentage of equity in the investment mix changes according to your age. The closer to retirement, the lower the percentage of risky assets the investment mix will include. From ten years before retirement of the asset mix differs between Drawdown and Annuity. These differences and their purpose are explained in more detail.

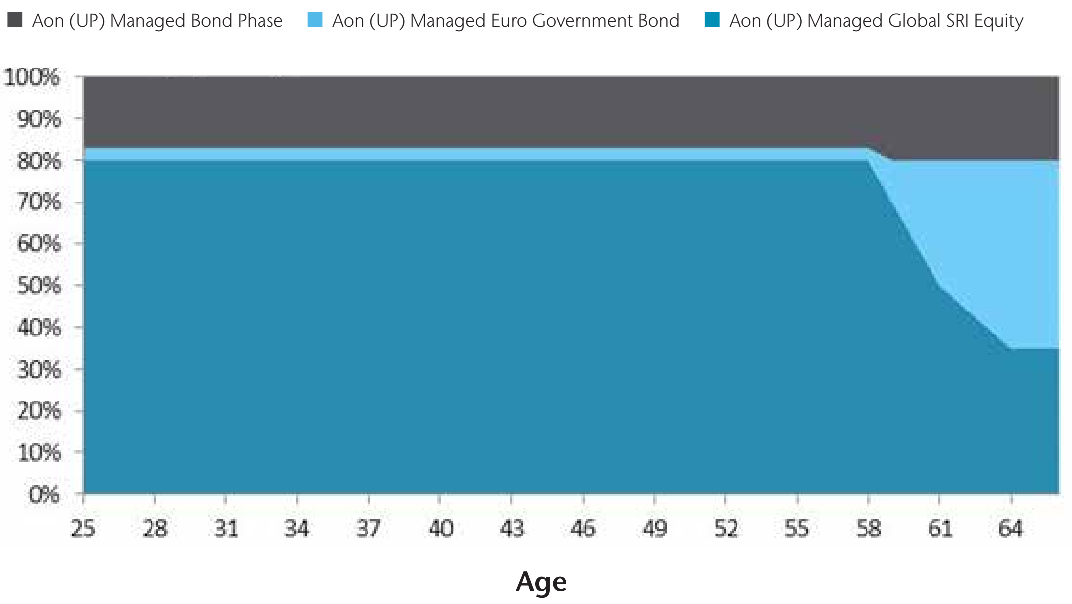
Balanced LifeCycle Drawdown

Targets a variable annuity from a Dutch provider

The Balanced LifeCycle Drawdown has been designed by UnitedPensions if you intend to choose a variable annuity with a Dutch provider at retirement. The LifeCycle contains an asset mix of three funds. Aon (UP) Managed Global SRI Equity, Aon (UP) Managed Euro Government Bond and Aon (UP) Managed Bond Phase as at the date of publication of this guide. This mix has been tailored to your choice of payment at retirement. If you choose a variable annuity, your pension capital will remain invested on an individual basis. Therefore the interest rate at retirement is less important than if you choose a fixed annuity from a Dutch insurer. If you choose a different risk profile the asset mix will deviate from the displayed Balanced LifeCycle Drawdown as shown in the figure. More information about this is included in the UnitedPensions member portal.

The chart below shows a typical asset allocation strategy for the Balanced LifeCycle Drawdown.

Balanced LifeCycle investment – Drawdown: targeting continued investment with a Dutch provider



Please note that this diagram is for illustrative purposes only and provides an idea of what the asset allocation may be. Actual asset allocation may differ from that set out in this diagram.

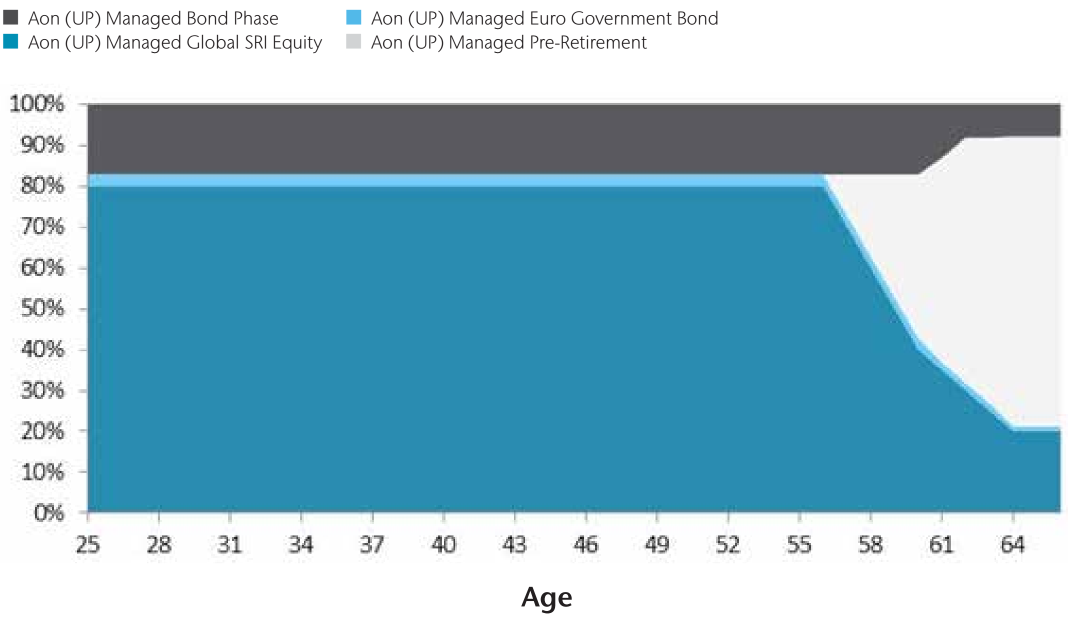
Balanced LifeCycle Annuity

The Balanced LifeCycle Annuity has been designed by UnitedPensions to facilitate the purchase a fixed annuity at retirement. The asset mix is automatically adjusted to lower-risk investments over time.

Currently, the asset allocation for the LifeCycle Annuity is the same as the LifeCycle Drawdown until ten years before target retirement age.

The chart below shows a typical asset allocation strategy for the Balanced LifeCycle Annuity investment for a member approaching retirement. However actual asset allocation may differ. In this example, the chart shows that when approaching the target retirement date the percentage of Aon (UP) Managed Global SRI Equity is reduced and the Aon (UP) Managed Pre-Retirement is introduced. These changes target less risky assets in order to reduce interest rate volatility before retirement. If you choose a different risk profile the asset mix will deviate from the displayed balanced risk profile shown. More information about this is included in the UnitedPensions member portal.

Balanced LifeCyle investment - targeting a fixed annuity from an insurer



Please note that this diagram is for illustrative purposes only and provides an idea of what the asset allocation may be. Actual asset allocation may differ from that set out in this diagram.

Important notes

Even though your fund moves to lower-risk investments over time, these investments are still subject to investment risk and therefore your fund can still decrease in value up to your Target Retirement Age.

Details of the overall investment strategy is set out in the Statement of Investment Principles. This document together with further information on the Aon managed funds, including the latest fund factsheets and asset mixes is available on the UnitedPensions member website at **myunitedpensions.nl**.

Self Select options

These funds might work for...

Give me full control investors

Understanding the Self Select Funds is important for 'give me full control' investors, who may wish to invest in this range of funds.

The Self Select Funds that are available through UnitedPensions are displayed on the member portal. Here we summarise some of the Self Select Funds available for selection as of the date of publication of this guide, from higher risk to lower risk. The member portal will show you which of these funds are available, and the Annual Management Charge associated with each.

Aon (UP) Managed Global SRI Equity

Aim	Global equity funds which incorporates environmental and social factors when selecting investments
Asset allocation	Portfolio of UCITS funds selected by HRMSL
Benchmark	MSCI World Custom ESG Index NDR in Euros
Style of management	Passive
Risk rating	Six

Aon (UP) Managed Passive Euro Equity

Aim	Invests in one or more passive indexation euro equity funds
Asset allocation	Portfolio of UCITS funds selected by HRMSL
Benchmark	MSCI EMU (Net Index) in Euros
Style of management	Passive
Risk rating	Five

Aon (UP) Managed Bond Phase

Aim	Invests in one or more passive corporate bond strategies
Asset allocation	Portfolio of UCITS funds selected by HRMSL
Benchmark	Bloomberg Barclays Euro-Aggregate Corporate Bond Index
Style of management	Passive
Risk rating	Three

Aon (UP) Managed Pre-retirement

Aim	Invests in investment grade long-dated euro government bonds to reduce interest rate risk
Asset allocation	Portfolio of UCITS funds selected by HRMSL
Benchmark	Citigroup EMU Government Bond Index (EGBI) 15 Years +
Style of management	Passive
Risk rating	Three

Aon (UP) Managed Euro inflation linked Government Bond

Aim	Invests in investment grade inflation-linked euro government bonds to provide a low cost, highly liquid solution
Asset allocation	Portfolio of UCITS funds selected by HRMSL
Benchmark	Barclays Eurozone All Consumer Price Index (CPI) Inflation-linked Bond Index
Style of management	Passive
Risk rating	Two

Aon (UP) Managed Euro Government Bonds

Aim	Invests in euro government bonds to provide a low cost, highly liquid solution
Asset allocation	Portfolio of UCITS funds selected by HRMSL
Benchmark	Citigroup EMU Government Bond Index
Style of management	Passive
Risk rating	Two

Reviewing your investment options

Whichever funds you invest in, it's important that you monitor your pension capital to make sure your investments remain appropriate for your particular circumstances and attitude to risk, which may change over time.

You will receive a benefit statement each year that shows the value of your pension capital as of the date of the statement. In the UnitedPensions member portal you can also find an illustration that shows an estimate of your pension capital at your target retirement age, based on an assumed level of return in different scenarios.

Keeping yourself up to speed with how your investments are performing puts you in the best position to check whether your account is growing in line with your needs and expectations.

Further information on all the fund options, including the latest fund factsheets, is available on the UnitedPensions member portal at **myunitedpensions.nl**. Log on and click through to the Model My Future section.

How do I make changes?

You can change your strategy or the funds that you are investing in at any time.

To change how your account is invested, or to notify us of a change to your Target Retirement Age or benefit type, contact us through any of the following:

Online

You can make these changes by logging on to the UnitedPensions member portal at **myunitedpensions.nl**. You should have received your login user ID with your Welcome Pack, and your initial password in a separate communication. If you have forgotten your password, please click on the *Forgotten Password* link.

By email

You can send an email to **updc.masterfund@inadmin.nl**. Please quote your account number in all correspondence.

Glossary

Active management Active management aims for returns that are **higher** than a particular market index. To try and achieve this, the investment manager carries out research (of a specific company or fund, for example) before deciding whether or not to buy individual shares or other types of assets. So active management allows the investment manager to pick and choose the investments they think will perform well.

Actively managed funds offer the potential for higher-than-average returns, but with the risk of a return below the market index.

AMC / Annual Management Charge Every investment fund carries an AMC to cover the running costs. The AMC applies per year to the total value of your investments in that fund. For example, an AMC of 0.45% on an annual investment worth €1,000 would attract a charge of €4.50 for that year.

Annuity A lifelong payment providing a yearly income for the rest of your life.

Asset A type of investment. There are many different types of assets, including equities, bonds, gilts and more.

Diversified/diversification Diversification means spreading capital risk by investing in a range of different assets so that if one asset type performs poorly, it won't impact the whole. Most funds use this approach to invest across a range of individual securities and avoid concentration in any single holding. Funds which use this approach across asset classes are often called multi-asset or diversified growth funds.

Inflation Over time, the prices of goods and services generally increase. In other words, the cost of living rises. Inflation is important for making investment choices, because if returns fall below the level of inflation, the buying power of your pension capital.

Market index This refers to the overall performance of a specified combination of investment funds. Market indexes are often used to measure investment performance over time.

Passive management Passive management aims for returns that are **in line** with a particular market index. To try and achieve this, the investment manager invests in broadly the same investments as the market, and in the same proportions, rather than selecting specific shares or securities that may or may not perform better.

Plan retirement age This is the default retirement age for your Pension Plan and is the age at which you are expected to retire and receive your retirement benefits.

Risk rating To help you select the funds that are appropriate to you, each of them has been given a risk rating using a scale of one to seven, with one being the lowest risk and seven the highest risk. The risk ratings are relative to other funds in the overall fund range, and it is important to note that there is some investment risk for all of the funds—even those with a very low relative risk rating of one. The fund factsheets use a graphic like the one below to show the fund's risk rating.

Relative Risk Profile

Target retirement age This is the retirement age selected by you and is the age at which you are expecting to retire and start receiving your retirement benefits.

Summary of technical abbreviations used in the benchmarks

ESG	Environmental, Social and Governance
EMU	Economic and Monetary Union
MSCI	Morgan Stanley Capital International
NDR	Net Dividends Reinvested

Want to know more?

For more information, please log on to your member website at **https://myunitedpensions.nl**

The value of investments and the income from them can go down as well as up and are not guaranteed. You could get back less than you have invested. Past fund performance is not a guide to future performance. Rates of exchange may cause the value of investments to fluctuate.

Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. You should consider seeking financial advice if you are unsure.

UnitedPensions