Your Investments Explained

Where can I invest my contributions?

On joining the plan you will automatically be invested in the plan's Default Lifestyle (called the Flexible Lifestyle). However, it's important you give some thought on whether this option is right for you, and you can change your investment strategy at any time. You can select any fund or mix of funds from the range available.

For more information on the range of funds available, please log on to your online account to view fund factsheets for each fund, which are updated quarterly.

How funds work

The FIL Life (Fidelity Life Insurance Limited) funds that are available to you may be invested into other funds.

The underlying funds are usually made up of many types of investments, and might cover equities (company shares), bonds (e.g. issued by the UK Government or a company), cash and other types of investment.

When you invest in a fund, your money is used to buy units which represent a share of the assets of the fund.

For example, if you invest £5,000 in a fund where the price of units is £5, then you will have 1,000 units allocated to you. If, when you come to sell, the price was £10 then the holding would be worth £10,000 (1,000 x £10), but if the price were to fall to £2.50, the holding would be worth £2,500.

Lifestyle or Self-select

If you don't want to get too involved in how your pension savings are invested, Lifestyle could be right for you. With Lifestyle, you don't make decisions about what funds you invest in. Instead you tell us how you might want to use your savings when you retire.

For example, you might plan to take them all as a lump sum, you might want to buy an annuity (which is a guaranteed income for life) or you might plan to keep investing them and take an income from them, called drawdown. If you don't know yet what you might do when you retire, or your plans change, don't worry. You can switch to a different Lifestyle option, or to the Self-select range of funds at any time.

If you want to choose the way your savings are invested, then the Self-select fund range might be right for you. There are seven funds to choose from and you can spread your savings across as few or as many of them as you want. You can also change funds whenever you want – just log on to planviewer.co.uk

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And if you want to move to a Lifestyle option, you can do that too.

If you don't choose an option, we'll automatically invest your savings in Flexible (Default) Lifestyle Strategy. You can always switch out of this later.

Flexible Lifestyle Strategy	Lump Sum Lifestyle Strategy	Annuity Lifestyle Strategy	Drawdown Lifestyle Strategy	Self-select
– this option is aimed at members who haven't yet decided how they will take their retirement benefits, or who may wish to retain a greater degree of flexibility in how their savings are invested.	– for those members specifically aiming to take their benefits from the Plan as a single cash lump sum, or a small number of lump sums over a short period of time.	– for those members who intend to use the majority (or all) of their retirement savings to purchase an annuity – that is a guaranteed income for life.	– for those members who intend to enter into an income drawdown arrangement when they retire, which would give more flexibility in how and when to take income over time.	Might be right for you if you want to make your own investment choices. Choose from 7 funds that invest in different ways.

Lifestyle Options

What are the Lifestyle options?

The Lifestyle options have been designed for members who prefer to rely on an investment strategy that has already been set out for them. They may be suitable for you if you are not familiar with making decisions about investments or do not feel comfortable selecting funds.

The Lifestyle options use an automated investment process that moves the money within your pension account between different types of funds during your working life. The target is to achieve long-term growth for as many years as possible, before aiming to preserve the value of your pension account when you get closer to your indicated retirement age.

The Lifestyle options use a number of different types of funds:

Equities (shares) – these are generally considered higher risk investments, which offer the potential for long-term growth, but also tend to involve greater levels of volatility in the short-term. The Lifestyle options use these types of investment when you are many years from your indicated retirement age; as there should be time for your pension account to recover from any reduction in value and potentially to go on to achieve further growth, although this is not guaranteed.

Diversified investments - are generally considered medium risk, and allow you to invest your money in several different types of investment to spread out your risk The Lifestyle options use these types of investment when you are midway to your indicated retirement age and when you are closer to your indicated retirement age, so your account is less likely to be hurt by the poor performance of a single investment.

Bonds and cash - are lower risk investments, which usually offer greater short-term stability. The Lifestyle options use these types of investment when you are closer to your indicated retirement age, as it is more important to preserve the value of your pension account at this stage, rather than take unnecessary risks by aiming for additional growth.

Please consider the advantages and disadvantages of investing in a Lifestyle option:

Advantages	Disadvantages
■ You don't need to actively manage your pension account, as the process of gradually switching to lower risk funds will be carried out automatically. ■ The Lifestyle options aim to preserve the value of your pension account if there is a significant drop in the stock market as you near your indicated retirement age. They aim to match the lower investment risk profile that many investors move towards as they get older.	■ The Lifestyle options are based on the expected greater stability provided by lower risk investments e.g. bond and cash funds. However, these funds can also suffer falls in value, and the effects of inflation could mean that cash funds produce negative returns in real terms. ■ By moving out of equity funds you could potentially miss out on better growth, as equities have historically delivered higher returns than cash or bonds over the long-term. ■ Investment decisions are taken away from you. If you want a more hands-on approach to planning for your retirement, a lifestyle option is probably not for you.

The Lifestyle options – more details

The charts illustrate how the funds used by the Lifestyle options change as you approach your retirement date. In practice funds will switch on a quarterly basis.

Each Lifestyle option uses a combination of up to five funds:

- The International Equity Fund – equity fund
- The Diversified Investment Fund – equity, bond and property fund
- The Short Dated Corporate Bond Fund – bond fund
- The Pre-Retirement Fund – bond fund
- The Cash Fund – cash fund

Your Investments Explained

The Lifestyle options are pre-determined investment strategies driven by your intended retirement date. If selected it is important that you advise us of any changes to this date. The first three Lifestyle strategies are identical until you are 10 years from retirement:

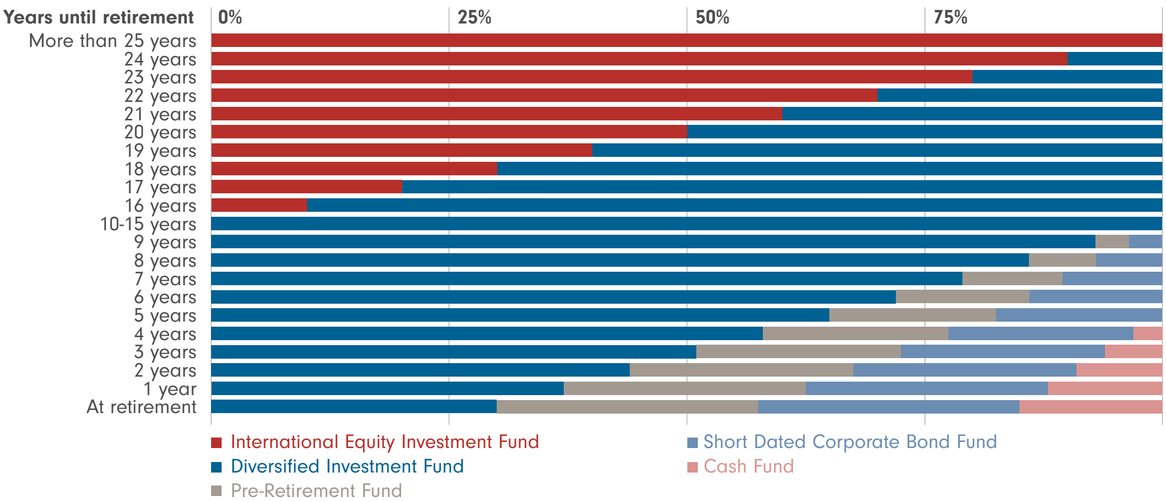
Starting out: Each strategy invests fully in passive global equities.

25 years from retirement*: Each strategy begins moving into diversified investments, over a period of 10 years.

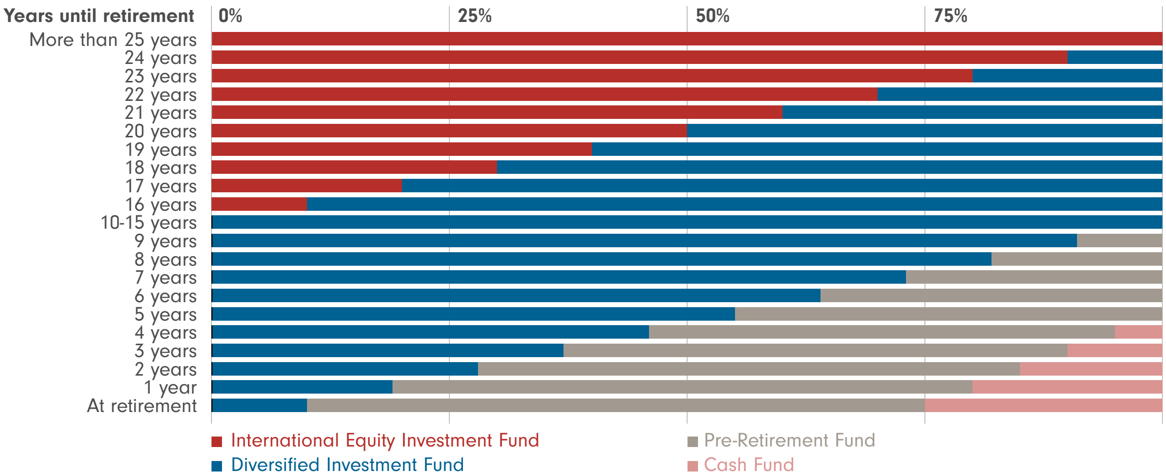
10 years from retirement*: Your savings start to enter the "de-risking" period to align with the goal of the chosen strategy.

*Most members have a target retirement age of 65, and so these changes would begin at ages 40 and 55 respectively. However, you can choose to target an earlier or later retirement age.

Flexible Lifestyle Strategy



Annuity Lifestyle Strategy



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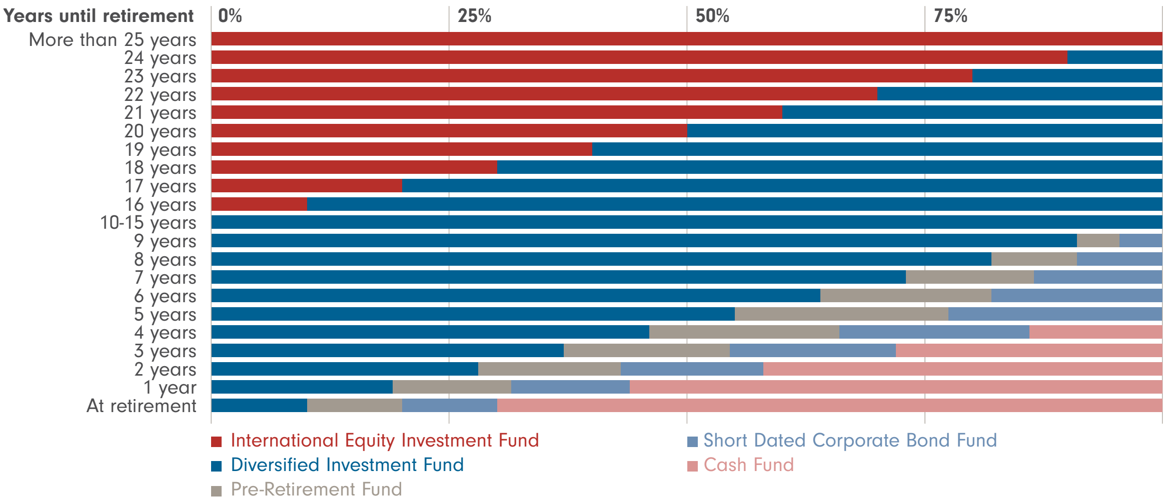
Your Investments Explained

Lump Sum Lifestyle Strategy



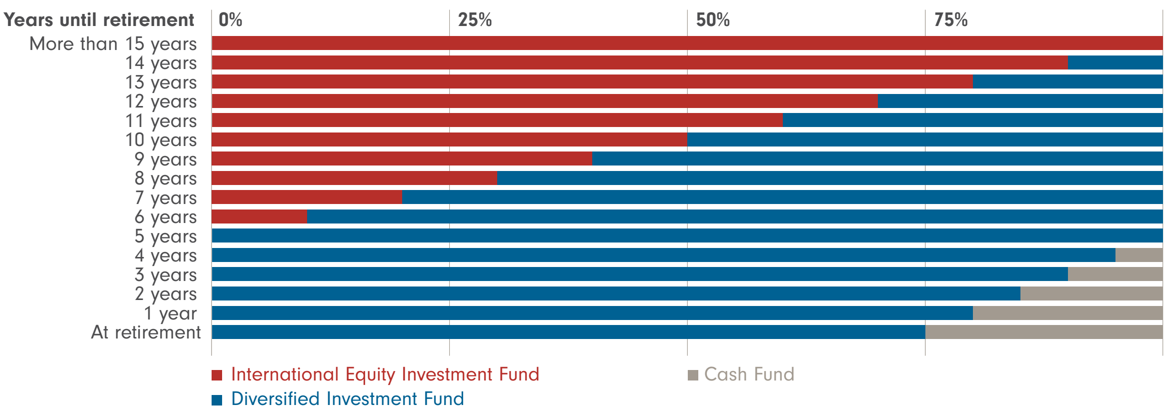
The Drawdown Lifestyle strategy similarly starts out invested fully in passive global equities, but differs from the other three Lifestyle strategies as follows:

15 years from retirement**: Each strategy begins moving into diversified investments, over a period of 10 years.

5 years from retirement**: Your savings start to enter the "de-risking" period to align with the goal of the chosen strategy.

**Most members have a target retirement age of 65, and so these changes would begin at ages 50 and 60 respectively. However, you can choose to target an earlier or later retirement age.

Drawdown Lifestyle Strategy



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Your Investments Explained

Your Fund Choices

The Lifestyle funds

The following table provides details of the five funds that are used within the Lifestyle options, including the objectives, risk factors and charges associated with each.

Fund name	Fund objective	Annual management charge	Other charges	Total expense ratio
International Equity Investment Fund	This fund aims to provide long-term growth by investing in company shares on a global basis, including emerging markets.	0.342%	0.004%	0.346%
Diversified Investment Fund	This fund aims to provide long-term investment growth through exposure to a diversified range of asset classes, including (but not limited to) company shares, bonds and property.	0.41%	0.01%	0.42%
Short Dated Corporate Bond Fund	This fund invests in a range of corporate bonds (which are in effect loans to companies), with terms of up to 5 years.	0.32%	0.05%	0.37%
Pre-retirement Fund	This fund invests in a range of bonds (which are in effect loans to either companies or governments) that are designed to move in a similar way to the cost of buying a pension that does not increase in payment.	0.35%	0.00%	0.35%
Cash Fund	This fund aim to achieve returns similar to that of very short-term interest rates by investing in a portfolio of cash, cash deposits and other money-market instruments.	0.23%	0.12%	0.35%

The full set of funds

You can of course take full control of your pension account and select from the full range of funds. So to complete the picture, in addition to the funds shown above, you will also be able to choose to invest in the following funds:

Fund name	Fund objective	Annual management charge	Other charges	Total expense ratio
Emerging Markets Fund	This fund aims to provide long-term growth by investing in shares in companies that operate in emerging market economies.	0.35%	0.00%	0.35%
Shariah Equity Fund	This fund aims to create long-term growth through investment in a diversified portfolio of equities which meets Islamic investment principles and is compliant with Shariah beliefs.	0.53%	0.00%	0.53%
Inflation-Linked Annuity Target Fund	This fund invests in a range of bonds (which are in effect loans to either companies or governments) that are designed to move in a similar way to the cost of buying a pension that increases annually in line with UK price inflation.	0.343%	0.00%	0.343%

This is intended as a guide only - for full details of the funds, including past performance, you should refer to the fund factsheets by logging on to planviewer.co.uk

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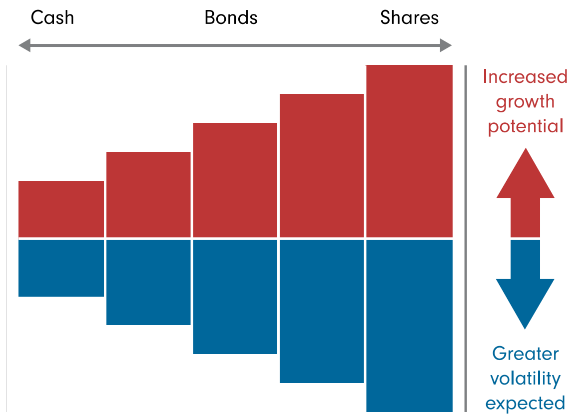
Your Investment Choices

Risk

The funds available to you will generally access one or more of the three main types of investment, i.e. equities (shares), bonds or cash. These different types of investment carry different levels of risk that needs to be considered against potential returns.



A higher level of risk normally means that the potential for growth is greater, but there is also a greater possibility that your investment might go down.

When choosing an investment strategy and funds, it is important to consider the level of risk that you are comfortable with. The diagram below illustrates the risk/return spectrum. The investment types towards the left carry less risk, but the potential returns are lower. Those at the other end carry more risk, but may also have more chance of producing greater returns.

There is a risk that your funds could fall in value, but over the long term, they could have time to recover from any setbacks and go on to achieve greater levels of growth, although this is not guaranteed. Remember it's not how much your account has gone up or down in the past few days, but how much it is going to be worth when you choose to retire which could be in 20 or 30 years' time.

If you want to achieve significant levels of growth, you need to tolerate some risk. You may find that you can manage this risk through diversification – spreading your contributions across funds that access a variety of markets and investment types.

Neither the Trustee, nor Fidelity, can guarantee what your pension account will be worth, and therefore how much retirement income or benefit this will provide you with when you decide to take your benefits.

Your retirement income may also be lower than the estimated yearly pension amount shown on your annual pension account summary. The estimate is based on many assumptions, so your retirement income may be lower if, for example:

- you take some or all of your benefits before your planned retirement age
- fund performance is worse than is illustrated. The value of the funds is not guaranteed. Their value can go down as well as up, and you may not get back the amount invested into them
- fund or plan charges are increased above those illustrated
- the cost of buying a guaranteed income (e.g. an annuity) increases if you choose this option
- the type of pension you purchase is different from that shown in your annual pension account summary
- you decide to take a cash amount from your pension account when you take your benefits.

Furthermore, you bear the risk that any of the underlying funds into which our funds are invested, or into which our funds are reinsured, do not pay Fidelity the full amount. This could happen for example if an underlying fund provider were to become insolvent, or suffer other financial difficulty. Although we believe this would be very unlikely, if this were to occur any shortfall created could reduce the value of any impacted funds held in your pension account. Under the current rules the Financial Services Compensation Scheme (FSCS) would not cover this type of shortfall, and Fidelity's liability is restricted to what they receive from the underlying fund provider.

In addition to some of the general risks highlighted above, each fund will have its own specific risks. Fidelity has also rated each of the available funds to give you an indication of the potential level of risk applicable. Details of these can be found on the fund factsheets available on PlanViewer.

How to Change Your Investment Choices

Making your fund selection is easy, either by:

- Using the online PlanViewer service at planviewer.co.uk

or

- speaking to the representatives at Fidelity's Workplace Investing Service Centre, on freephone **0800 3 68 68 68**.

Please be aware that switching funds may result in your account not being invested for a short time and that market movements during this period may affect the number of units your switch buys in your new funds.

Fund charges

There are no initial charges for the funds. So if you contribute £100 to your account, £100 is invested into your chosen funds. These funds have annual management charges which are set out in this document for the default funds and on the fund factsheets also available to you.

Funds also incur other expenses such as auditing and registry fees and the figures quoted in your literature (we call these 'other charges') are a guide based on historical estimates and may change. The annual management charge and the other charges (together expressed as the 'total expense ratio') are deducted from each fund's assets and are reflected in the quoted daily price for the fund – they are not a separate charge taken directly from your account. Performance figures for the funds therefore take account of all fund charges. All fund charges are reviewed regularly.

Administration and service charges

There is no initial charge on investing your contributions. Additionally, no administration charges are applied for switching or withdrawing your investments.

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