

## LIFESTYLE OPTIONS - FUND PERFORMANCE

The lifestyle investment options will automatically change the funds you are invested in based on how close you are to retirement. The performance of the lifestyle options is dependent on your whereabouts in the matrix and therefore the underlying fund(s) you are invested in at any given point in time. This note is designed to provide some guidance on how you can work out the performance your fund will have received depending on how close you are to retirement.

There are three lifestyle investment options available:

- **Income drawdown lifestyle** – this option is the default investment strategy for members who do not select an investment option
- **Cash lifestyle**
- **Annuity purchase lifestyle**

The lifestyle options are all set up with two key phases – *accumulation* and *pre-retirement*. Below is further detail of where you will be invested based on which lifestyle you are in and the period you have until your selected retirement age (65 unless you have selected a different age).

The lifestyle investment options use a combination of the following funds:

- Affinity Water World Equity Fund
- Affinity Water Diversified Growth Fund
- Affinity Water Diversified Income Fund
- Affinity Water Corporate Bond Fund
- Affinity Water Pre-Retirement Fund
- Affinity Water Cash Fund

You can check the performance of these funds using the links on the pensions website

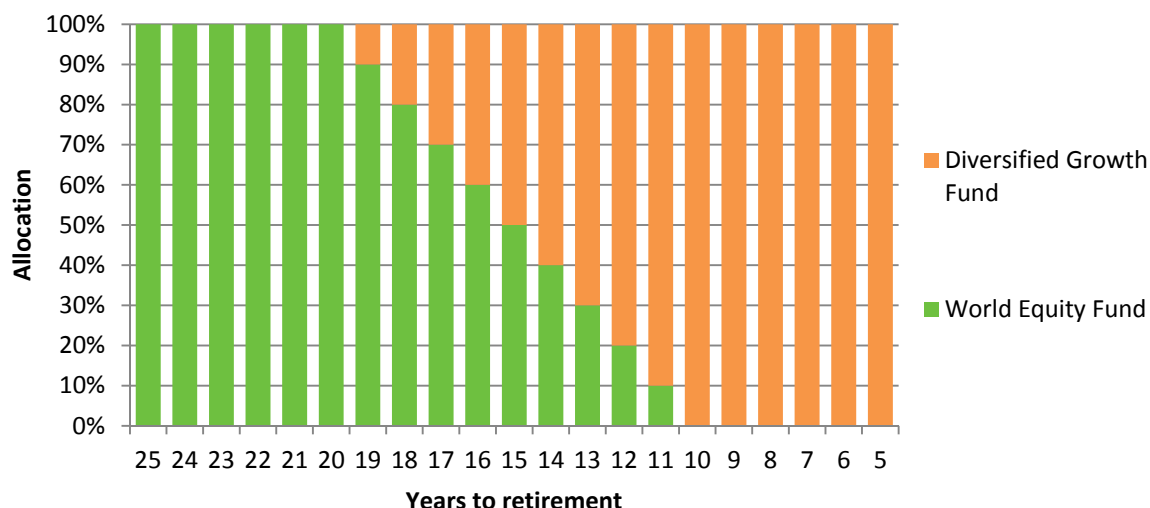
[www.affinitywaterpensions.co.uk](http://www.affinitywaterpensions.co.uk)

## Accumulation Phase

All three lifestyle options will invest in the same way up until you are 5 years from your selected retirement age.

How you are invested and how this will change over time during the accumulation phase depends on the number of years until retirement. This is illustrated in the chart below.

**Chart: Portfolio allocation by years to retirement for a member in any of the Lifestyle Options**



If the member has 20 years or more until retirement, the investment returns their fund will receive will be the same as the returns from the World Equity Fund. If they have between 10 and 5 years until retirement, the investment returns their fund will receive will be the same as the returns on the Diversified Growth Fund.

If the member has between 20 and 10 years to retirement the investment returns their fund will receive will be a blend of the performance of those two funds. If we use someone who has 16 years until retirement as an example, the investment returns will be 60% of the return from the World Equity Fund and 40% of the return from the Diversified Growth Fund because that is the proportion of those funds that they will be invested in at that age.

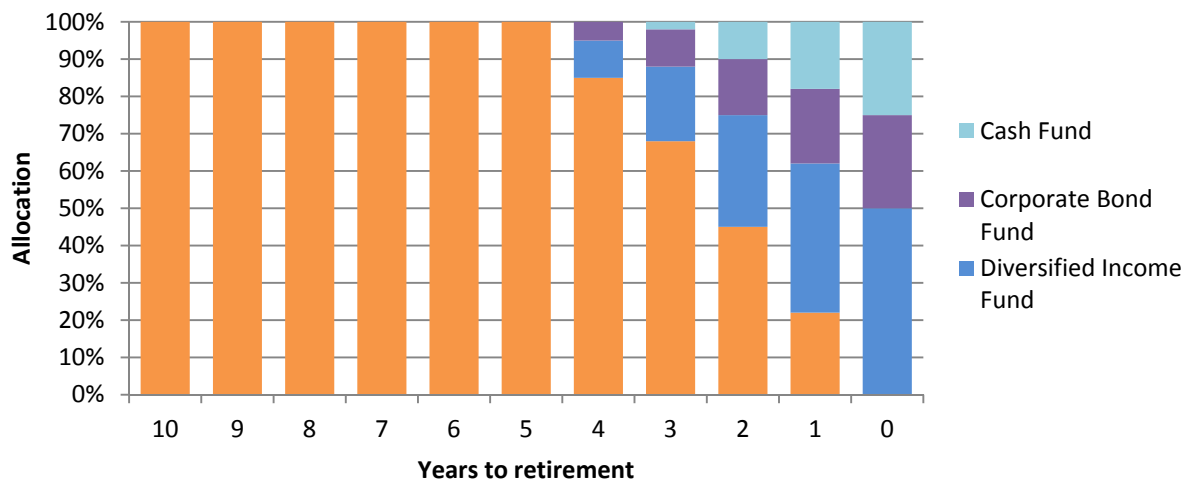
## Pre-retirement Phase

During the pre-retirement phase covering the final 5 year period prior to retirement the fund allocation will change according to the lifestyle option that a member has chosen. The three options are explained below. The investment returns your fund will receive will be the same as the returns on the underlying funds that you move into over the 5 year period.

### Option 1 (Default option) – Income Drawdown Lifestyle

In the last 5 years to retirement, investments will be gradually switched from the Diversified Growth Fund so that at retirement the fund will be invested 50% in the Diversified Income Fund, 25% in the Corporate Bond Fund and 25% in the Cash Fund, as illustrated in the chart below.

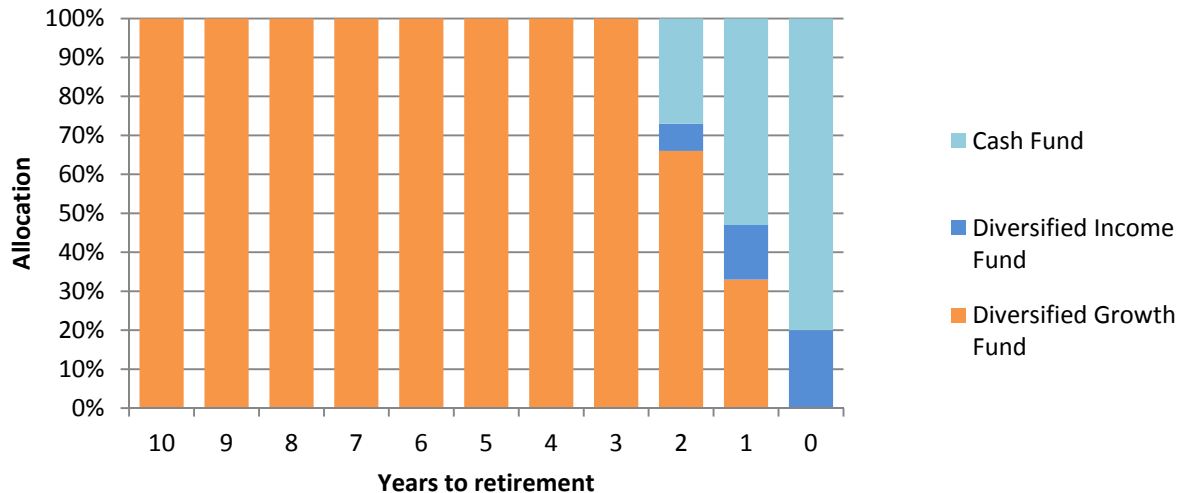
**Chart: Portfolio allocation by years to retirement for a member in the Income Drawdown Lifestyle**



### Option 2 – Cash Lifestyle

In the last 5 years to retirement, investments will be gradually switched from the Diversified Growth Fund so that at retirement the fund will be invested 20% in the Diversified Income Fund and 80% in the Cash Fund, as illustrated in the chart below.

**Chart: Portfolio allocation by years to retirement for a member in Cash Lifestyle Option**



**Option 3 – Annuity Purchase Lifestyle**

In the last 5 years to retirement, investments will be gradually switched from the Diversified Growth Fund so that at retirement the fund will be invested 75% in the Pre-Retirement Fund and 25% in the Cash Fund, as illustrated in the chart below.

**Chart: Portfolio allocation by years to retirement for a member in the Annuity Purchase Lifestyle**

