



GEBP Investment Committee Newsletter

November 2010

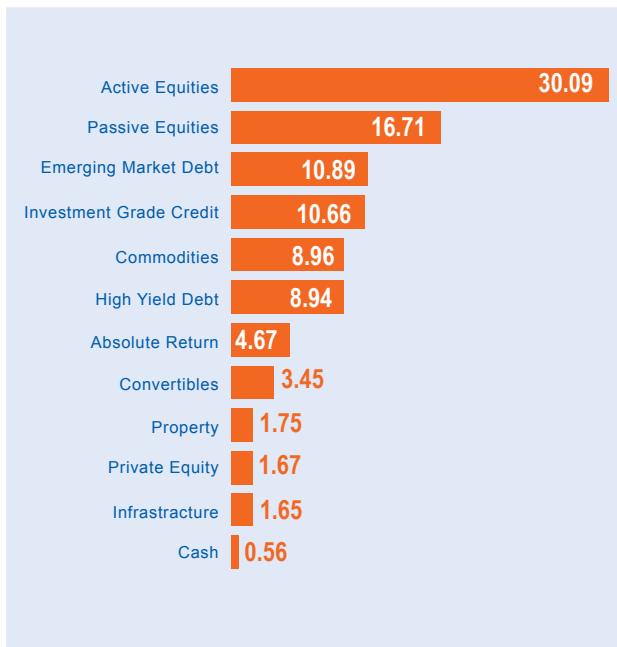
In this, the fourth newsletter prepared by the Global Employee Benefit Plan (GEBP) Investment Committee, we will aim to provide information on the following recent and relevant issues:

- Spotlight on the Schroders DGF
- US tax issue
- Market events
- GEBP Swiss cash holdings
- Timing of sales



Spotlight on the Schroders Global Diversified Growth Fund (DGF)

In earlier communications, the Investment Committee outlined the merits of diversifying your investments. The Schroders Global Diversified Growth Fund (the DGF) was highlighted as a diversified solution available to members. To recap, the DGF invests in a variety of different asset classes and a recent asset allocation is shown below.



The DGF is less volatile than a standard equity fund. Over a market cycle (usually defined as 5 to 7 years) the DGF would look to invest across a range of well diversified asset classes that have a limited degree of correlation and as result would aim to produce a more stable stream of investments throughout the year. This means that in the short term if equities perform strongly the DGF may lag equity returns, however due to its lower volatility, in cases where equity markets suffer from poor performance the DGF may not fall as sharply. You will see from DGF factsheets that in the recent past when equity markets have suffered from volatile performance, the DGF has not. For a more up to date performance summary, please refer to the most recent DGF factsheet for October on the Zurich Online system.

Link to fund centre:

<http://webfund6.financialexpress.net/clients/zil/pricetable.aspx?range=ipp&scheme=2¤cy=EUR>



US Tax Legislation and members responsibilities

Members of the GEBP (US) are defined as US citizens, green card holders, members with a US resident income tax return filing obligation, and Non-US nationals living in the US as a US tax resident. The tax and reporting requirements for US citizens and green card holders who hold assets in foreign pensions have become increasingly complex.

First, US citizens and green card holders are required to report the realized gains/losses of the GEBP on their annual US tax returns (you are not required to report the unrealized gains/losses) since the GEBP is not a qualified US

pension plan. RBC cees will provide you with an annual statement of the realized gains/losses for purposes of this reporting on your US tax returns.

Members of the GEBP (US) should seek independent tax advice concerning the personal tax implications of accruing benefits or receiving a distribution from the GEBP (US). It is your responsibility to provide any information required by the appropriate tax authorities. It is recommended that you keep careful records of your retirement account. A new FAQ will be uploaded to the RBS site shortly.

Market events

As you may have picked up from various news reports in the recent past there have been a lot of events which have had an impact on financial markets globally. As members of the GEBP your investments are channelled into global markets, and it is inevitable that some of these events would have had an impact on your investments. While it is difficult to forecast or predict such events in advance, the Investment Committee looks to ensure that the range of investment funds offered are suitable and that there is an adequate range of funds available for members with different risk profiles.

Remember it is key that you pick investment fund choices that best match your risk profile and time horizon. Time horizon is key, as if you only have a few years to retirement you may not be able to withstand the short term volatility that is introduced by equity funds and may prefer

to choose less volatile asset classes such as bonds and cash. However if you're a good few years away from retirement, then you may wish to consider more volatile options which while being more risky in the short term can offer better growth potential over the longer term. At times being conservative when you have a fairly long time horizon could mean that your assets fail to beat the rate of inflation over the long term.



Below we have summarised some significant events since our last newsletter that will have likely had a bearing on some of your investments.



BP - The oil giant had a difficult 6 months as a consequence of the oil spill off the US east coast. Members of the GEBP should be aware that there were relatively small holdings in BP, with the largest concentration within the Alliance Bernstein European Value fund. As noted earlier in this newsletter, most of the GEBP investment funds are widely diversified and so in the failure of one large individual stock there will be an impact on some of the investment funds, although the impact, due to diversification, is likely to be small.



Goldman Sachs - Earlier this year Goldman Sachs was called to account by the Securities Exchange Commission for some of its activities during the global credit crisis. This was ultimately resolved through an out of court settlement agreed with the US Government. It did, however, highlight a future possible risk for GEBP members should Goldman Sachs, who offer the Goldman Sachs 80% Protection Signum Fund (the Signum Fund) to

members go into administration. The Investment Committee will actively monitor the appropriateness of the Signum fund.



Greece - Members of the GEBP will have noticed over the year concerns over the economies in certain parts of Europe, most notably Greece and Hungary, where the financial stability and viability of these countries was close to breaking point. Fortunately, the concerns have been reducing over the last few months, but it is still worth highlighting that investment funds offered to members of the GEBP retained very small holdings of bonds and other investments connected to Greece and Hungary. The financial collapse of either country could therefore have impacted your pension accounts under the GEBP, but the direct impact would have been minimal as most investment funds offered to GEBP members are widely diversified across many companies, governments and other institutions.

GEBP (Swiss) cash holdings

We would like to highlight to members of the GEBP (Swiss), in particular, to check their current pension account allocation to ensure that they are appropriately diversified.

Members of the GEBP (Swiss) will recall the communication sent to members as part of the GEBP Provider transition in April of 2009. One of the issues announced was the cash locking of the first version or tranche 1 of the Goldman Sachs 80% Protection Signum Fund. To ensure that the 80% protection provided by the Signum Fund was maintained, any holdings in the GEBP (Swiss) Lifestyle prior to the cash locking were 'ringfenced', with Signum Fund assets held in the first tranche being diverted into a liquidity or cash fund, namely the Insight Liquidity Fund to maintain the 80% protection level. This action was taken to ensure that participating members were protected from any further declines in the market.

At the time this change was announced in May 2009, members were encouraged to consider their asset allocation, and move the 'ringfenced' assets into the new Swiss Lifestyle, or into tranche 2 of the Goldman Sachs 80% Protection Signum Fund. The GEBP Investment Committee would like to once again remind members to consider their asset allocation, and review the amount of funds they have invested in the Insight Liquidity Fund. This fund contains a high proportion of the Swiss section assets and therefore members need to check their own circumstances and feel comfortable with their asset allocation at the current time.

Members of the GEBP (Swiss) Section will have seen a separate announcement introducing a range of new regional Lifestyle strategies, Global Passive Lifestyle Portfolio, North American Passive Lifestyle Portfolio, Asian Passive Lifestyle Portfolio and Emerging Markets Passive Lifestyle Portfolio. There is also now the European Lifestyle Portfolio, formerly the GEBP (Swiss) Lifestyle Portfolio. You are encouraged to revisit your investment decisions at this time to ensure they remain appropriate for your personal circumstances.



Timing and phasing of fund switching

Related to the previous section in this newsletter, it is also perhaps relevant to highlight that timing of investing in and out of investment funds is very important and it is often seen as sensible to 'stage' switching between investment funds over a period of time. This is known as currency cost averaging, not trying to play the markets, but rather the percentages and investing in stages, which is a common tactic followed by experienced investors. GEBP members intending to switch large holdings, say from the Insight Liquidity Fund, may want to look at doing this over the next few months gradually and not in one single transaction. If in any doubt, you should seek independent financial advice on this point. It is also recommended that members review their holdings and investment choices at the end of the year and ensure that it is still optimum given their risk profile and time horizon.



To determine your risk profile you may refer to the risk assessment questionnaire which can be found at the back of member and investment guides.

We hope you have found this newsletter to be helpful. Any comments or queries you have on the GEBP design, the funds, or our approach to communications can be directed to the Investment Committee, via Jan Hoogeveen at Tetra Pak. Any other retirement account queries should be directed as usual to the recordkeeper, either Zurich International Life for Rest of World and Swiss sections (chris.cain@zurich.com) or RBC cees for the US section (ceescommunications@rbc.com or +44 (0) 1534 602 079).

