Rhodia Pension Fund – Money Purchase Benefit Category

Investment Guide

Welcome

This guide has been prepared for Members within the Money Purchase Benefit Category of the Rhodia Pension Fund (the Fund).

If you are an Active Member of the Fund, each month a contribution is taken out of your Salary and invested in a personal account. The Company also contributes a percentage of your Salary per month as determined by the Rules of the Fund. If you are a Deferred Member (contributions are no longer being made to your personal account) your personal account will still be invested.

Choosing the right investment fund to suit your circumstances is an important part of retirement planning.

This guide provides you with a brief summary on the different investment options available.

Please remember that neither the Trustee nor the Fund administrator are authorised to give you investment advice – they can only provide factual information. If you feel you need advice, you can find an independent financial adviser in your area by visiting www.unbiased.co.uk

Your investment options

1. You can invest in one of our lifestyle options.

A lifestyle strategy is an investment plan that offers the potential to grow your personal account in the long term. Each of the lifestyle strategies aim to target a particular retirement outcome at your retirement date; for example to purchase an annuity, to remain invested and take a series of lump sums or set up a 'drawdown' arrangement, or to take your pot in the form of cash. More detail on exactly how this works is provided below.

Or

2. You can invest in a range of self-select funds.

With the self-select option, you can choose the funds you would like your personal account to be invested in. Your investments will remain in these funds until you choose to move them. There is no automatic switching of your investments as you approach retirement, so you will need to actively manage your investments.

Your Lifestyle options

A lifestyle strategy is an investment plan which invests your personal account into different funds and manages the transition towards retirement without you having to worry about managing your investments.

Each strategy provides a pre-determined path of how your contributions and existing fund will be invested, starting out in higher risk funds during the 'Growth' phase (up until ten years prior to your target retirement date; your 65th birthday, unless you have selected a later or earlier date) to lower risk funds during the switching period or 'Consolidation' phase' (the ten year period prior to your target retirement date).

RHODIA PENSION FUND, RADIO HOUSE, THANET WAY, WHITSTABLE, KENT, CT5 3QP
TEL: 0344 39 12 403 E-MAIL: RHODIA@CAPITA.CO.UK
RHODIA PENSIONS TRUST LIMITED, PO BOX 80, TRINITY STREET, OLDBURY, WEST MIDLANDS, B69 4LN TELEPHONE: +44 (0)121 552 3333
REGISTERED IN ENGLAND, NUMBER: 3739407. REGISTERED OFFICE: 34 CLARENDON ROAD, WATFORD WD17 1JJ
www.solvay.com

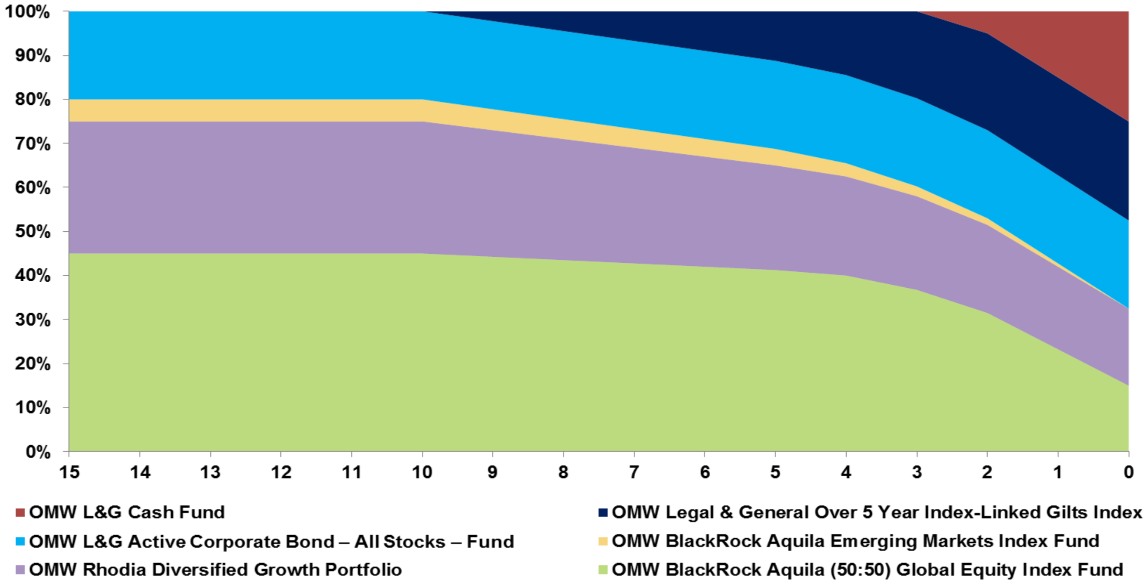
Investing in higher risk funds has the potential to provide higher growth over the longer term, albeit with the potential for higher capital gains and losses, whilst investing in lower risk funds has the potential for lower growth, albeit with the potential for lower capital gains and losses. The further you are from your target retirement date the greater you are able to tolerate risk, whilst as you approach retirement the objective is to reduce risk and protect the capital value of the funds you are invested in, whilst preparing your personal account for your chosen retirement needs.

The Trustee has been working to evolve the Fund's lifestyle options for Members, as a result of the wider pension freedoms which were introduced by the Government in April 2015. The lifestyle options have been carefully designed to reflect how you plan to use your personal account at retirement.

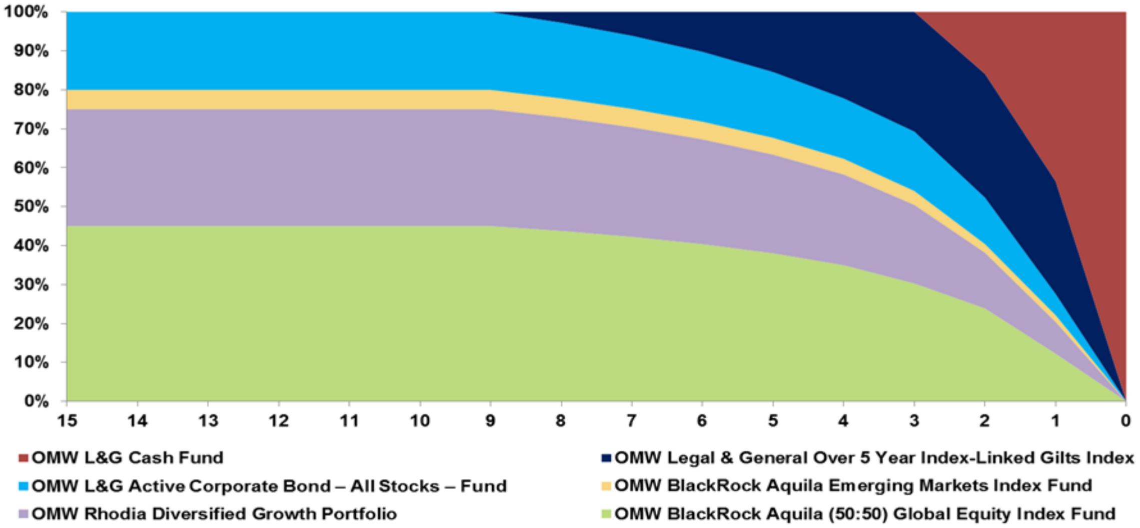
The way your personal account switches your funds as it counts down to your retirement date is different depending on which investment option you select – for example to purchase an annuity ('**Annuity Lifestyle Strategy'**), to remain invested and take a series of lump sums or set up a 'drawdown' arrangement ('**Income Drawdown Lifestyle Strategy'**), or, to take your pot in the form of cash ('**Encashment Lifestyle Strategy**').

The graphs below provide you with an idea on how this switching takes place. In each graph, the vertical axis shows the % exposure to each fund and the horizontal axis is based on years to your target retirement date.

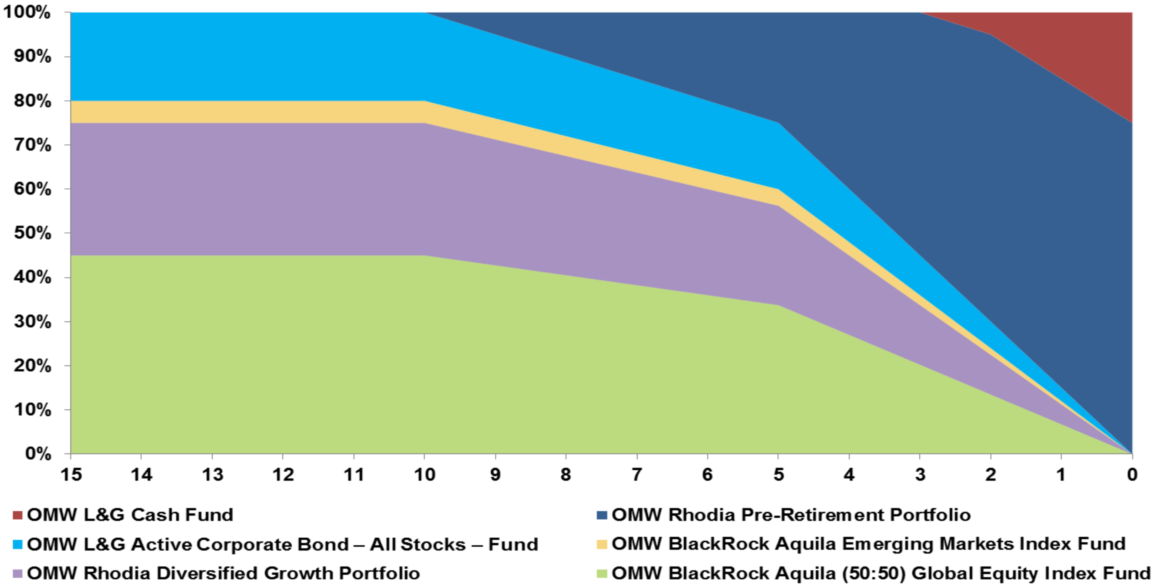
Income Drawdown Lifestyle Strategy



Encashment Lifestyle Strategy



Annuity Lifestyle Strategy



You will notice from the graphs that, for all three lifestyle strategies, your investments will be invested in the same way until ten years before your target retirement age. Therefore changing between the three options before the switching starts, will not affect how your personal account is invested.

Self-Select Funds

If you want to choose your own investment funds, the self-select option might be suitable for you. The funds available on a self-select basis are largely used as the component funds within the lifestyle strategies.

You are allowed to invest in as many of these funds as you like, and you can change your investments to other self-select funds or a lifestyle strategy of your choice at any time by logging on to Orbit at https://orbit.orbitbenefits.com/idm-ui/login/ and submitting your instructions. Your instructions will then be processed with the respective investment manager(s) at the first possible opportunity and your individual account updated. We recommend that you check your account to ensure your instructions have been processed. Your selections must be in whole percentages and equal 100%.

The following self-select funds are available for you to invest in:

Fund Name	Asset Class	Style	Benchmark	Fund Objective	Charges*
BlackRock Aquila (50:50) Global Equity Index Fund	Equity (Global)	Passive	Composite	**Objective**: The Fund aims to provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world. The Fund has approximately 50% invested in the shares of UK companies with the remaining invested in overseas companies split equally between the US, Europe ex-UK, Japan and Pacific Rim. **Rationale**: This provides a straightforward and understandable higher risk fund.	0.160%
BlackRock Aquila Emerging Markets Index Fund	Equity (Emerging Markets)	Passive	MSCI Emerging Markets Index	**Objective**: The Fund objective is to achieve a return that is consistent with the return of the MSCI Emerging Markets Index. **Rationale**: Offers the potential of superior returns over the long term.	0.365%

Fund Name	Asset Class	Style	Benchmark	Fund Objective	Charges*
Invesco Perpetual Global Targeted Returns Fund	Mixed - Diversified Growth	Active	6 Month GBP LIBOR +5% p.a.	**Objective**: The Fund aims to achieve a positive total return in all market conditions over a rolling 3-year period. The fund targets a gross return of 5% p.a. above 3 months Euro Interbank Offered Rate (EURIBOR) (or an equivalent reference rate) and aims to achieve this with less than half the volatility of global equities. **Rationale**: Provides a diversified and risk managed portfolio of long term ideas aimed at producing a more steady, absolute return over time.	0.825%
Newton Real Return Fund	Mixed - Diversified Growth	Active	UK 1 Month GBP LIBOR +5% p.a. UK	**Objective:** The objective of the Fund is to achieve significant real rates of return in Sterling terms predominantly from a portfolio of UK and international securities. The Fund is managed to seek a minimum return of cash (1 month British pound sterling London Interbank Offered Rate (GBP LIBOR)) + 4% per annum over 5 years before fees. In doing so, the Fund aims to achieve a positive return on a rolling 3 year basis. **Rationale:** Provides a multi-strategy global thematic solution to achieving real rates of return at a reasonable cost.	0.915%
BlackRock DC Diversified Growth Fund	Mixed - Diversified Growth	Active	BoE Base Rate +3.5%	**Objective:** The Fund targets an investment return of 3.5% above the Bank of England official Bank Rate measured over rolling 3 year periods by utilising a multi-asset flexible investment approach. In aiming to achieve the target, this Fund will generally hold a variety of different types of assets at any one time. **Rationale:** Offers reasonable and cost-effective diversification.	0.735%
L&G Active Corporate Bond – All Stocks – Fund	Corporate Bond	Active	iBoxx Sterling Non-Gilt All Stocks Index	**Objective:** The Fund primarily invests in corporate fixed interest securities denominated in Sterling with credit ratings of BBB- (or equivalent) and above. The Fund aims to exceed the benchmark by 0.75% p.a. (before fees) over a three year rolling period. The Fund's benchmark is the Markit iBoxx Sterling Non-Gilt Index. **Rationale:** Offers exposure to the security of bonds with the potential for higher relative returns than government bonds.	0.335%
L&G Over 5 Year Index-Linked Gilts Index	Bonds (Index-linked Gilts)	Passive	FTSE A Index-Linked (Over 5 Year) Index	**Objective:** The Fund invests mainly in index-linked bonds issued by the Government. **Rationale:** Provides inflation protection coupled with a reasonable match to the cost of purchasing a pension (annuity) at retirement.	0.175%
L&G Over 15 Year Gilts Index	Bonds (Fixed interest Gilts)	Passive	FTSE A Government (Over 15 Year) Index	**Objective:** The Fund invests mainly in index-linked bonds issued by the Government. **Rationale:** Provides inflation protection coupled with a reasonable match to the cost of purchasing a pension (annuity) at retirement.	0.175%
L&G Cash Fund	Cash	Passive	UK 7 Day LIBID	**Objective:** The Fund aims to perform in line with 7 Day London Interbank Bid Rate (LIBID), without incurring excessive risk. **Rationale:** Offers security of capital over the short term.	0.20%

**(including Old Mutual Wealth's 0.075% platform charge)*

In addition to the range of funds available on a self-select basis, the Trustee has also created two 'blended funds' - the Rhodia Diversified Growth Portfolio Fund, and the Rhodia Pre-Retirement Portfolio Fund which will be used within the new lifestyle strategies. These blended funds are not available on a self-select basis.

Rhodia Diversified Growth Portfolio Fund: Will invest in equal proportions between the Invesco Perpetual Global Targeted Returns Fund, the Newton Real Return Fund and the BlackRock DC Diversified Growth Fund.

Rhodia Pre-Retirement Portfolio Fund: Will invest in the L&G Pre-Retirement Fund. The Fund will be used in the Consolidation phase of the Annuity Lifestyle Strategy. This replaces the Index Linked and Fixed Interest Gilt Funds previously being used. The Pre-retirement Portfolio Fund is designed to track the price of annuities available in the market more effectively.

Funds used within these portfolios and the percentage allocation between Funds may change from time to time.

Internal AVC Option

If you are an active member within the Final Salary Section and are using the Money Purchase Benefit Category to make Additional Voluntary Contributions (AVCs), you are reminded that in addition to options outlined within this communication, you are also able to make AVC payment through the 'Internal AVC' option. Further information on this option can be found within the AVC Guide to the Final Salary Section of the Rhodia Pension Fund, which is available on request. This option is not available to deferred members within the Final Salary Section.

Investment Considerations – some risks you should be aware of

The risk of poor investment returns over the long-term

Whilst being cautious with your investment choices could mean a steady growth, it also means that it is less likely to have an overall higher return as it would have done if you had been less conservative. In return, this could mean you either end up having to greatly increase your contributions as you near retirement, or having a smaller fund value at your retirement age.

Annuity conversion risk

When you retire, unless you make other arrangements at the time, the part of your pension fund not taken as a lump sum may be used to buy an annuity. An annuity is an income provided to you by an insurance company for the rest of your life. The cost of buying an annuity rises as long-term rates of interest fall. The risk is that should long-term rates of interest fall as retirement approaches, it will increase the cost of buying an annuity and therefore reduce your income from the annuity.

Market prices

Your personal account is invested within units, and the price per unit is dependent on how that particular market is performing. We have seen in recent years (property crash of 2008, Brexit in 2016) that unit prices can be affected overnight.

You risk losing out if you choose a bad time to switch in terms of market pricing. This risk could be reduced by staging the switch over a period of time (which is what happens within the lifestyle option) rather than switching all in one go.

External factors

Your attitude to the risks associated with your pension investment might also depend on how large the investment is in relation to any other savings and investments you may have and to other pension benefits you can expect to receive from elsewhere (including State Pension benefits). If you also have a pension from a previous employer, or substantial savings, for example, you may feel more relaxed about your pension fund investment risks than you might otherwise be.

Some useful terms

Active management

Active management refers to a portfolio management strategy where the manager makes specific investments with the goal of outperforming an investment benchmark index or target return.

Bonds

Both companies and governments borrow money by selling bonds to investors by promising to pay interest at a specified rate during the lifetime of the bond and (usually) a capital sum at the end. Bonds issued by the UK Government and highly-rated companies are typically more valuable because of the lower risk of downgrade or default. Bonds may be short-dated (typically five years away or less) or long-dated (typically 15 years away or more). The returns from bonds are made up of the interest received whilst they are held, and the change in their market price over the period they are held. However, bonds have historically tended to be less volatile than equities over the long term. They have also tended to produce lower returns than other investments.

Cash

This generally means short term cash deposits, but may also include very short-dated bonds (i.e. with maturity dates within the next few months). Returns on cash will generally vary in line with bank lending rates.

Currency hedging

A number of funds have some currency hedging. The best way to explain this hedging is by an example. If you invest directly in US equities, your return as an investor based in the UK will consist of both the return of US equities and the difference between US dollars and Sterling over the period. If the investment is currency hedged, then the return received is primarily the return on US equities – the currency movement is mitigated.

Diversification

This is the mixing of different types of assets in a fund. This way, when one type of investment is doing poorly, another may be doing well. The winners help offset the losers, and the value of the overall portfolio doesn't move up and down so much.

Equities

Equities are company shares and are bought and sold on a stock market. The return from equities will be made up of the dividends received whilst they are held, and the change in their stock market price over the period they are held. This return may be negative for some time periods, but equities have historically produced stronger returns than other alternatives over longer periods of time.

Gilts

Gilts are bonds issued by the Government and because of this are considered a low risk.

Passive management

Passive management refers to a portfolio management strategy where the manager closely replicates the investment weighting and returns of a benchmark index and will often invest in an index fund.

Volatility

Volatility refers to the amount of uncertainty or risk regarding the degree and size of changes in the value of a security. A higher volatility means that the price of a security can change dramatically over a short period of time in either direction.

Managing your investments

If you are an Active Member you can review and manage your investments by logging on to Orbit at https://orbit.orbitbenefits.com/idm-ui/login/
If you need help logging into your online account, please contact the Orbit Helpdesk Team on:

Email: info@orbitbenefits.com

Phone: 020 7204 1212

If you are a Deferred Member (contributions are no longer being made to your personal account), please contact the Pension Team at Capita (details below).

If you have any questions about your pension please contact the Pension Team on:

Email: Rhodia@capita.co.uk

Address: Capita Employee Solutions, Radio House, Thanet Way, Whitstable Way, Kent, CT5 3QP

If you have any general queries about the Money Purchase Benefit Category which Capita can't help with, please contact:

The Pensions Department
Rhodia Pensions Trust Limited
PO Box 80
Trinity Street
Oldbury
West Midlands, B69 4LN

Tel No: 0776 876 5445 / 0121 541 3857 or 3783

Further guidance and advice

The Government has introduced a guidance service, Pension Wise, to make sure all pension scheme members have access to free impartial guidance to help them understand their retirement options and choices – see https://www.gov.uk/pensionwise for more information. It is recommended that you make use of this guidance when appropriate (it is only available to those over age 50) and that you also consider speaking to an independent financial adviser before making any decisions.

Please note that whilst we can provide you with information on the changes being made, neither the Trustee nor Capita are able to provide you with advice on what you should do. We would recommend that if advice is required, you consult an independent financial adviser as your decisions could have a significant impact on your retirement finances. If you do not have a financial adviser, you can find one in your area at www.unbiased.co.uk

Issued on behalf of Rhodia Pensions Trust Limited

March 2019