

THE GKN GROUP PENSION SCHEME

YOUR INVESTMENT OPTIONS

Applicable from 1 July 2012



Your Investment Options explained

We understand that it can be difficult for members to select the investment option that works best for them and most people do not want to manage their pension investments themselves, so the Trustee of the GKN Group Pension Scheme has created a default **Lifestyle** strategy which automatically manages your investment for you. However if you do feel that you have enough knowledge and understanding of the risks and issues involved, you can choose from an alternative lifestyle strategy or you can **Self Select** from a number of other funds and investment managers that the Trustee has selected. There is a “core” list of six funds, but you can also choose from a list of two additional funds.

You can also make alternative investment selections between accrued contributions made into your personal retirement account and your future contributions.

Making Changes to your Investment Options

You can make changes to your investment options by emailing your instructions to gkndcmail@jltgroup.com. In order to process your choice, you must ensure that your instructions are received before the payroll cut-off date for the month in which you wish the change to take effect. Your instructions will be actioned as soon as possible after they are received by the Administrators.

You can make switches twice a year without charge. Where more than two switches are made per year, each additional switch would incur a £75 charge payable from the value of your personal retirement account.

A copy of this booklet and more details on the investment options available can also be found at www.blackrock.co.uk/pensions/gkn

Please note that an explanation of the various types of investments discussed in this guide can be found on page 3.

1. Lifestyle Investment Options

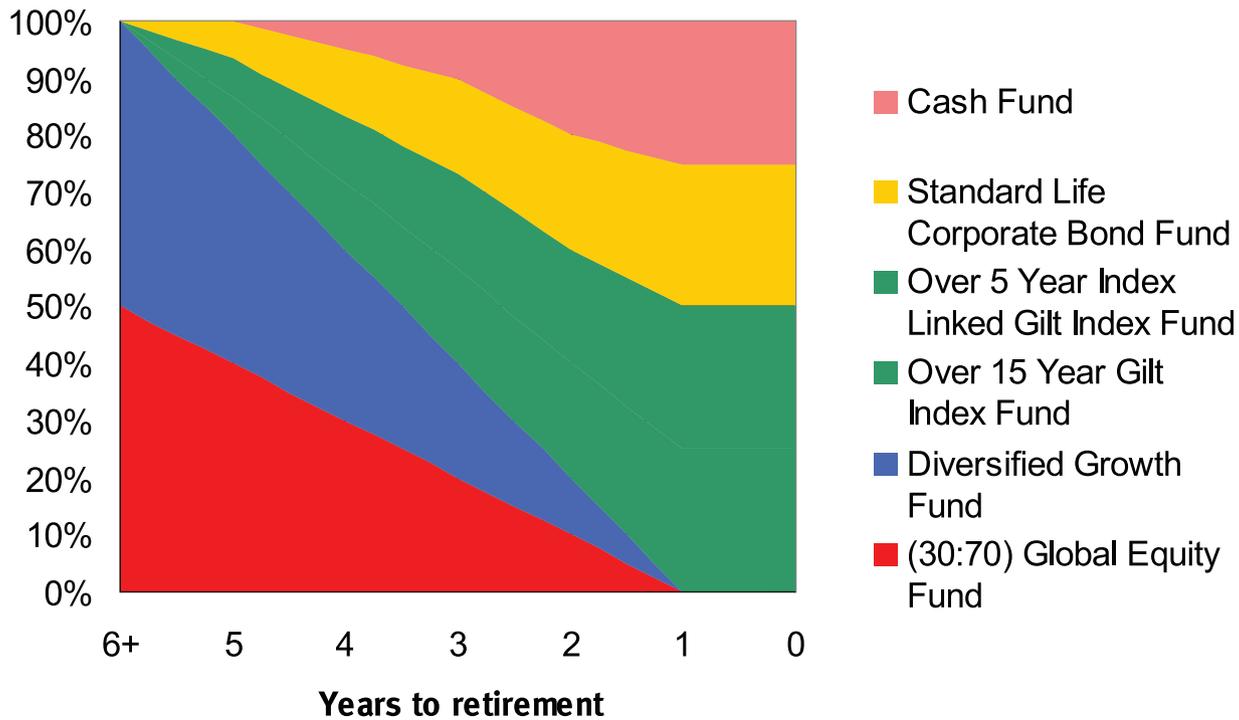
A lifestyle strategy aims to manage the different types of investment risk by investing in assets expected to provide you with potential investment growth over the majority of your working life, whilst moving your personal retirement account into less volatile funds as you near retirement. In the early years your and the Company's contributions would be invested in funds which aim to generate returns that beat inflation over the long term. However, returns for equities (stocks and shares) over the shorter term can be volatile, which means your personal retirement account value can go down as well as up, depending on the value of the underlying stocks and shares in the fund.

As you get closer to your Target Retirement Age and the time horizon until retirement shortens you need to consider protecting the value of your personal retirement account. To help with this a Lifestyle strategy gradually moves your investments out of the growth funds and into lower risk investments such as bond, Gilt and cash funds over a five year period before your intended retirement age.

The GKN Group Pension Scheme offers two Lifestyle default options;

- **Pension Lifestyle option** is designed for those members who are looking to use their personal retirement account value to take up to the maximum tax free cash and use the balance of their personal retirement account to buy an annuity to provide them with an income in retirement. This is likely to be of interest for members whose retirement savings are solely Defined Contribution (DC) benefits.
- **Cash Lifestyle option** is designed for those members who are looking to use their personal retirement account value to provide their tax free cash lump sum on retirement and is likely to be of interest for members of all other sections of the Scheme (with Defined Benefits entitlements).

The **Pension Lifestyle option** for DC members is shown graphically in the chart below.



The six funds within the **Pension Lifestyle option** include five funds from BlackRock and one fund from Standard Life, as listed below.

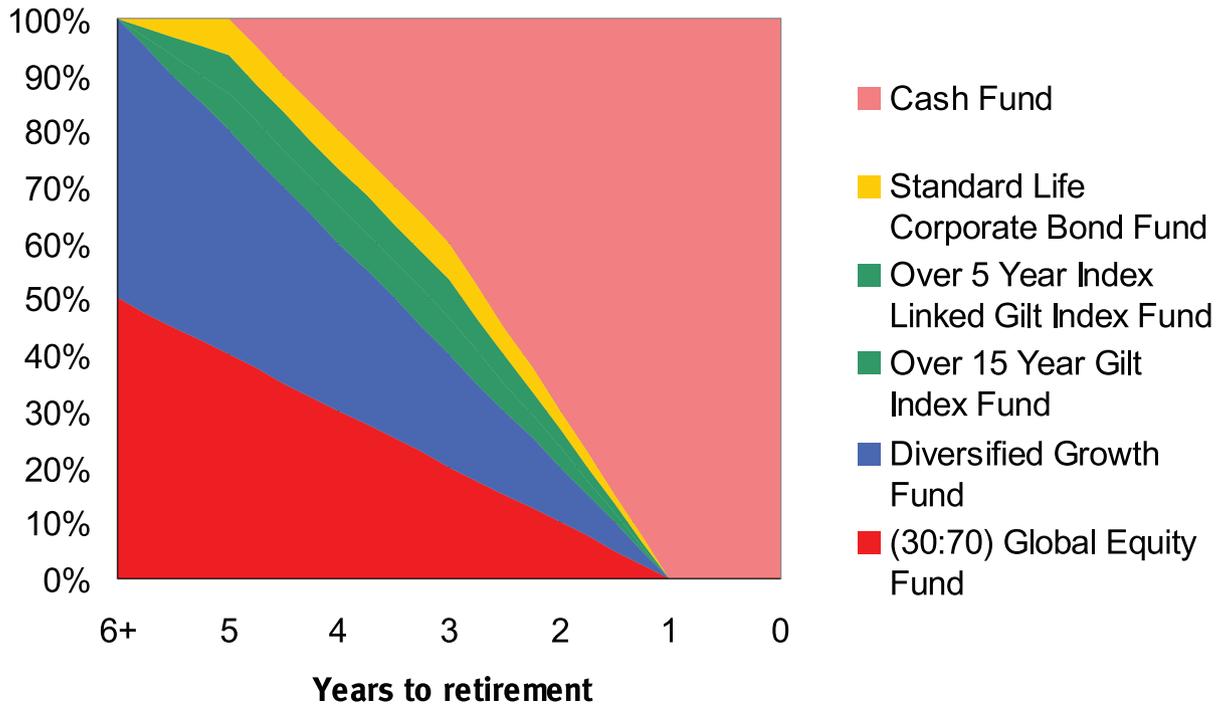
- BlackRock DC Aquila (30:70) Global Equity Tracker Index
- BlackRock DC Diversified Growth Fund
- BlackRock DC Aquila Over 15 Year Gilt Index
- BlackRock DC Aquila Over 5 Year Index Linked Gilt Index
- Standard Life Corporate Bond Fund
- BlackRock DC Cash Fund

The **Pension Lifestyle option** gradually moves your investments out of the growth funds, the DC Aquila (30:70) Global Equity Tracker Index and the BlackRock DC Diversified Growth Fund, and into the less risky bond, gilt and cash funds over a five year period before your intended retirement age. At the date of retirement, the allocation will be 25% cash, 75% bonds or gilt Funds.

This option is also the Scheme's Default Investment Option for Defined Contribution only section pension members – which means you will automatically default to this option if you don't select an alternative investment option. You can change your investment option to **Self Select**, or to the **Pension Lifestyle option** if you wish as described above.

The **Cash Lifestyle option** is designed for members whose benefits are not wholly DC and is shown graphically in the chart over the page.

The Cash Lifestyle option is designed for members whose benefits are not wholly DC and is shown graphically below.



The six funds within the **Cash Lifestyle option** include the same six funds as the **Pension Lifestyle option** although the allocation to each fund differs in the final years prior to the date of retirement.

The **Cash Lifestyle option** gradually moves your investments out of the growth funds, the DC Aquila (30:70) Global Equity Tracker Index and DC Diversified Growth Fund, and into the less risky bond, gilt and cash funds, over a five year period before your intended retirement age. Once you reach retirement the allocation will be 100% in the Cash Fund.

This option is the Default Investment Option for those members with DB benefits – which means you will automatically default to this option if you don't select an alternative investment option. You can change your investment option to **Self Select**, or to the **Pension Lifestyle option** if you wish by as described above.

Please note, it is not possible to invest in both the **Pension Lifestyle option** and the **Cash Lifestyle option** at the same time.

2. Self Select Investment

Under this approach you can create your own investment strategy by investing in one or more funds. Details of all the **Self Select** funds, together with the fee (annual management charge) and an indication of the Fund's risk rating are set out in the table on page 9.

A 'Core' range of six funds have been chosen by the Trustee of the Scheme, in conjunction with its investment advisers, in order to offer a selection that covers the main asset classes outlined opposite.

If you would like more choice you can also choose from a list of two additional funds listed on page 10. When choosing funds it is worth bearing in mind that there is usually a trade-off between the level of investment risk and the overall investment returns that can be expected; generally, the greater the risk the greater the potential expected long-term return.

Every type of investment carries a degree of risk and so we set out below the main asset sectors in order of risk:-

- **Cash** is the safest but is likely to generate comparatively lower investment returns over the long term (although please note that the value of cash funds can still go down as well as up);
- **Bond or Gilt** funds invest in a spread of fixed interest and index-linked investments, which include government bonds (UK Government bonds are known as Gilts) and/or corporate bonds, and are suitable for lower risk investors, particularly for those whose end objective on retirement may be to buy an annuity;
- **Multi-asset** funds invest in a mix of UK and global equities, bonds, gilts, cash and alternative investments like commercial property and commodities. Given the diversity of assets classes, a multi-asset fund potentially offers less volatility than a fund of pure equities but, as a result, may reduce the potential for higher returns. The BlackRock DC Diversified Growth Fund offered by the Trustee is a multi-asset fund;

- **Property funds** invest in UK commercial property such as offices, shopping centres, retail warehouse parks and industrial estates. Over the long term, commercial property's average risk and return have been higher than government bonds and cash, but lower than equities.
- **Equity funds** are invested in stocks and shares of companies, which can be based in the UK or overseas. There is greater volatility than the other funds described above but improved long term growth prospects.

Funds can be 'actively' managed with an aim to beat index returns or they can be 'passively' managed (for less cost) with an aim to track the index or benchmark.

Self Select Funds

Details of all the eight **Self Select** funds, together with the fee charged and an indication of the Funds' risk rating are set out in the table on the following pages. Unless otherwise specified, all funds are managed by BlackRock.

The **Self Select** funds have been chosen by the Trustee, in conjunction with its investment adviser, in order to offer a selection that covers the main asset classes outlined above.

Risk Rating:

BlackRock has classified all our Pension Funds from 1 to 7:

**1 (Very Low), 2 (Low), 3 (Low-Medium)
4 (Medium), 5 (Medium-High), 6 (High)
7 (Very High).**

Remember that the higher the risk score, the greater the potential for good long-term growth. However, the higher risk funds are also likely to display greater volatility over the shorter term. Volatility is defined as the relative rate at which the price of an investment moves up and down. Company shares for example experience much wider differences in their value relative to gilts or cash. Their price is said to be more volatile and therefore carries a greater risk.

“Passive” means that the fund’s manager will aim to track a particular stock market index. Individual stocks will be held in the same proportion as their value in the index. For example 3% of the fund will be invested in Stock A, if stock A’s market value is 3% of the value of the stock market index. These funds are often called index funds.

“Active” means that the investment manager makes specific investment decisions to try to beat the particular stock market index. If the manager believes a company’s shares are undervalued they may hold more of the company’s shares than its share of the index. Due to the higher level of transactions and greater amount of research required these funds tend to have higher charges than passive funds.

Fund charges can have a material impact on investment returns over the long term. Please note those listed in the table.

Fund Name	Fund Type	Category
CORE FUNDS		
DC Aquila 30/70 Currency Hedged Global Equity Tracker Index Fund	Equity	Passive
Standard Life Corporate Bond Fund	Fixed Income	Active
DC Aquila Over 15 Year Gilts Index Fund	Fixed Income	Passive
DC Aquila Over 5 year index-linked Gilts index Fund	Fixed Income	Passive
DC Cash Fund	Cash	Active
DC Diversified Growth Fund	Balanced Managed	Active
Additional Funds		
DC Property Fund	Property	Active
DC Aquila Emerging Markets Equity Index Fund	Equity	Passive

Fund Objectives

	Annual Management Charges (pa)(%)	Additional expenses (pa)(%) (variable)	Risk Rating
Invests primarily in equities, both in the UK and overseas markets. The fund has approximately 30% invested in the shares of UK companies. The remaining 70% is invested in overseas companies split between the US, Europe ex-UK, the Pacific Rim and Emerging Markets, with the currency exposure within developed markets being hedged (with the aim of reducing the impact of currency fluctuations). The fund aims to provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world.	0.25	0.03	5
This fund aims to provide long term growth by investing predominantly in Sterling denominated corporate bonds. The fund may also invest a proportion of assets in other fixed interest securities such as overseas bonds, gilts and money market instruments.	0.55	0.02	3
This fund invests in UK government fixed income securities (gilts) that have a maturity of 15 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK gilt market.	0.25	0.0	2
This fund invests in government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market.	0.25	0.0	2
Invests principally in Sterling denominated cash, deposits and money-market instruments and aims to produce a return in excess of the benchmark.	0.2	0.03	1
This Fund targets a consistent investment return of 3.5% above the Bank of England base rate over rolling 3 year periods by utilising a multi-asset flexible investment approach. The focus on getting the asset mix "right" in order to achieve the target means this Fund will generally hold a variety of different assets at any one time.	0.65	0.09	3
The Fund has a diversified exposure to a range of commercial property assets such as offices, shopping centres, retail warehouse parks and industrial estates. The Fund gains its exposure to these assets by investing in a number of underlying pooled property funds (managed outside of BlackRock).	1.0	0.04	4
The fund objective is to receive a return that is consistent with the return of the MSCI Global Emerging Markets Index. Emerging markets include Brazil, China, India, Taiwan, South Africa, Russia, amongst others.	0.4	0.07	7

How to find out more

If you have any queries please contact your HR Manager at your employing Company or the **Scheme Administrator**:

Jardine Lloyd Thompson
Post Handling Centre
7 Charlotte Street
Manchester
M1 4DZ

If you would like to find out more about BlackRock and the funds on offer, then please go to www.blackrock.co.uk/pensions/gkn or log onto the Scheme Website at www3.savingforthefuture.com/gknpensions/

JLT also offer you a helpline so if you have any investment queries, please contact them on 0845 337 2456, although it should be noted that neither the Trustee nor JLT can give individual investment advice. The JLT office is open Monday to Fridays 9.00am to 5pm, except Bank Holidays.

It should be noted that:-

- Investment risk is borne by you, there is no Company guarantee on benefit value at the time of retirement;
- Past performance is not a guide to future performance;
- The value of investments and the income from them can fluctuate and are not guaranteed;
- Investors may not get back the amount invested;
- Rates of exchange may cause the value of investments to go up or down;
- Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially;
- Any objective or target will be treated as a target only and should not be considered as an assurance or guarantee of performance of a fund or any part of it;
- The fund objectives and policies include a guide to the main investments to which a fund is likely to be exposed. A fund is not necessarily restricted to holding these investments only; and
- Subject to a fund's objectives, a fund may hold any investments and utilise any investment techniques, including the use of derivatives, permitted under the FSA's New Conduct of Business Sourcebook which contains the rules by which investment of a fund is governed.