Which option is right for you?

Are you comfortable making your own investment decisions?

NO → **Option A:** **Choose a pre-mix.** Select a pre-mixed asset allocation portfolio designed and managed by investment professionals.

YES → **Option B:** **Do-it-yourself.** Build your own portfolio using any combination of available funds.

What you should know before choosing your investments

Asset allocation

Choosing the right combination of investments for your portfolio is called asset allocation. This is an important step that can help you reach your retirement goals. When you allocate your assets, you spread out your savings among stable value, bond, and stock investments in amounts that are reflective of your investment goals. Aggressive investors with long-term goals may prefer portfolios with more stocks, while more conservative investors are likely to use more stable value and bonds. As you build your investment portfolio, consider your personal situation. Your asset allocation decisions should be based on:

- When you will begin to file claims
- The amount of time you have to reach your goal
- Your own tolerance for risk
- Your other savings and investments

Determine your proper asset allocation strategy

Before making your investment decision, you should define your asset allocation strategy. A proper asset allocation strategy (i.e. choosing the right blend of asset classes for your financial situation) can help reduce risk and increase potential return over time.

What kind of investor are you?

Determining what kind of investor you are will help you define your asset allocation strategy. In other words, are you most interested in growing your account or preserving your account? If you are most interested in growing your account, you must be willing to tolerate more risk and accept potentially large fluctuations in value. Preserving your account generally involves less risk and should result in less fluctuation in value but with reduced potential for long-term returns.

What is your time horizon?

Your time horizon is the length of time until you anticipate filing claims. Investors with longer time horizons are often able to tolerate more risk; investors with shorter time horizons tolerate less risk.

Time is very important when determining your asset allocation strategy. Investments may increase in value over time assisted by the power of compounding, and time can help smooth the ups and downs of the financial market. Your asset allocation strategy should depend heavily on how much time you have until you expect to begin filing claims.

Risk vs. potential reward

Risk is generally thought of as the possibility of losing money on investments. If your investment's value fluctuates significantly down and up, and you make a withdrawal (claim) for a qualified medical expense during a down market investment period, you may experience loss. You also need to consider inflation risk, the chance that your investments will not earn enough to keep pace with the rising cost of living which, in this case, is increasing healthcare costs. Consider the following general principles of risk:

- Reducing one type of risk generally requires you take on more of another
- The higher the risk, the higher the potential for reward; the lower the risk, the lower the potential for reward
- The shorter the time horizon you have for investing, the more you should reduce investment risk

Importance of rebalancing

Over time, some of your investment fund selections may grow more quickly than others. Some may even lose value and cause your portfolio to become out of alignment with your original allocation percentages.

Rebalancing periodically redistributes the assets in your account to your most recent allocation percentages. This process aids in maintaining the level of risk you are willing to take and helps you achieve the goals and objectives of your asset allocation strategy.

Periodic rebalancing is optional if you choose to build your own portfolio under **Option B: Do-it-yourself**. The pre-mixed asset allocation portfolios under **Option A: Choose a pre-mix** are managed to stay on their respective target allocations. Each fund maintains its growth- or income-oriented asset mix; you never have to rebalance to keep your strategy on track.

Asset class

Asset classes consist of three general types: stocks, bonds, and short-term investments (stable value). Your overall investment strategy will help you determine what percentage you should allocate to each asset class.

Diversification

You've heard the old saying, "Don't put all your eggs in one basket." With investing, this is known as diversification. It's the process of spreading your money among different asset classes. Mutual funds are diversified. If you invest your money in a stock mutual fund, you will hold stock in many different companies. Even if a few companies perform poorly, their losses may be offset by companies that perform well.

No guarantees

Keep in mind that the use of asset allocation or diversification as part of an investment strategy does not guarantee a profit or guarantee against a loss.

Funds are not FDIC insured, are not guaranteed by a bank, and may lose value. Even the most conservative investment fund option may lose value.

More information

Go to **hraveba.org** for more information, including historical fund performance, fund fact sheets, and prospectuses.

Option A: Choose a Pre-mix (managed by professionals)

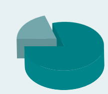
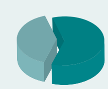
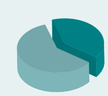
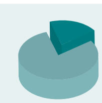
HRA VEBA Trust offers a suite of low-cost Vanguard LifeStrategy® Funds to accommodate a variety of asset allocation strategies from conservative to aggressive. Many investment advisors recommend the use of pre-mixed portfolios because they are well diversified, designed to meet specific goals and objectives, and are automatically rebalanced.

The Vanguard LifeStrategy Funds are broadly diversified. Underlying funds invest in thousands of U.S. and international stocks and bonds to help spread out risk. The Vanguard LifeStrategy Funds are managed to stay on their respective target allocations. Each fund maintains its growth- or income-oriented asset mix; you never have to rebalance to keep your selected strategy on track.

Which Vanguard LifeStrategy Fund is right for you? The Vanguard LifeStrategy Funds are built to help you achieve any medium- or long-term goal. The four funds, each with a different allocation between stocks and bonds, target various risk-based objectives. Descriptions of the type of investor who may want to consider a given fund are contained in the chart to the right. You should carefully read these descriptions when deciding which fund is right for you.

Your allocation to a Vanguard LifeStrategy Fund must be 100%; allocations less than 100% are not allowed. Performance results are contained on the **Investment Fund Overview**, which is updated quarterly and available online at **hraveba.org**.

Lowest Potential Risk —— Highest Potential Risk

LifeStrategy Income	Risk level: Low-to-moderate Time horizon: 3 to 5 years 80% Bonds; 20% Stocks You have a short- to medium-term time horizon and can accept modest fluctuations in value.	
LifeStrategy Conservative Growth	Risk level: Moderate Time horizon: Greater than 5 years 60% Bonds; 40% Stocks You have a long-term time horizon, are willing to accept modest fluctuations in value, and can tolerate the risk that comes from the volatility of the stock and bond markets.	
LifeStrategy Moderate Growth	Risk level: Moderate-to-high Time horizon: Greater than 5 years 40% Bonds; 60% Stocks You have a long-term time horizon and are willing to accept stock market volatility.	
LifeStrategy Growth	Risk level: High Time horizon: Greater than 5 years 20% Bonds; 80% Stocks You have a long-term time horizon, are looking for growth of principal over time, and are willing to accept stock market volatility.	

■ Bonds ■ Stocks

Not FDIC insured. No bank guarantee. May lose value.

Option B: Do-It-Yourself (build your own portfolio)

Listed below are the available asset classes and funds you can use to build your own portfolio. Performance results are contained on the **Investment Fund Overview**, which is updated quarterly and available online at **hraveba.org**.

Lowest Potential Risk — Highest Potential Risk

Asset Class	Fund
Stable Value	**HRA VEBA Stable Value*** www.gsam.com/stablevalue Seeks to provide a stable rate of return with preservation of principal and liquidity.
Total Return Bond	**Metropolitan West Total Return Bond** www.mwamllc.com Seeks to maximize long-term total return.
Balanced	**Vanguard Balanced Index Institutional** www.vanguard.com With 60% of its assets, seeks to track the performance of a benchmark index that measures the return of the overall U.S. stock market. With 40% of its assets, seeks to track the performance of a broad, market-weighted bond index.
Large Cap Equity	**Vanguard Institutional Index (S&P 500)** www.vanguard.com Seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.
Mid Cap Equity	**Scout Mid Cap** www.scoutinv.com Seeks to provide long-term growth of capital by investing in a diversified portfolio consisting primarily of equity securities of mid-cap companies.
Small Cap Equity	**Champlain Small Company Fund** www.cipvt.com Seeks capital appreciation by investing mainly in small-capitalization U.S. common stocks.
International Equity	**American Funds EuroPacific Growth** www.americanfunds.com Seeks to provide long-term growth of capital by investing in companies of all sizes based primarily in Europe and the Pacific Basin.

*The HRA VEBA Stable Value fund is a custom portfolio (separate account) managed by Goldman Sachs Asset Management exclusively for HRA VEBA Trust. Unlike a mutual fund, it is not publically traded and is available only to HRA VEBA Plan participants.

Other investment information

Contributions	Contributions received are allocated per your current investment allocation election on file with the Plan. If no investment allocation election is on file, funds will be allocated to the Stable Value fund.
Investment allocation changes	You may transfer among the investment funds as often as once each calendar month. You can make investment allocation changes after logging in to your account online or by submitting a completed and signed **Investment Change** form. Investment allocation changes are generally effective within two to three business days. If you have more than one account and submit an Investment Change form without entering a participant account number, your requested change will be applied to each of your accounts. If you do enter a participant account number on the form, your investment allocation change will apply only to the specified account.
Reimbursements	If your account is allocated among multiple investment funds, reimbursements (claims) from your account will be deducted proportionately based on your fund allocation election on file with the Plan.
Investment risk	The Stable Value fund is the most conservative fund choice. The remaining funds are invested in securities and bonds that will fluctuate in value on a daily basis, and withdrawals from these funds may be worth more or less than your original employer contribution. Prior to submitting your Enrollment form or Investment Change form to the Plan, please carefully review your selected investment fund choice(s). Should your investment objectives change, you should reevaluate your fund selection(s) and make appropriate changes. Remember, any investment that contains stock market investments entails the risk of loss. We must stress that investment returns, particularly over shorter time horizons, are highly dependent on trends in various investment markets. Thus, investing in stocks and bonds is suitable primarily as a longer-term strategy and should not be used by participants who will begin filing claims immediately.
Using multiple investment funds	You may use a single fund or multiple funds when building your own portfolio. You may choose only one pre-mixed portfolio. You may not choose both a do-it-yourself portfolio and a pre-mixed portfolio.
Fund management expenses	Fund management expenses vary from fund to fund. Each investment fund's expense ratio can be found on the Investment Fund Overview updated quarterly at **hraveba.org**, or by visiting each fund's respective website.
Investment advice	Please read this information carefully and consult with your personal financial advisor before making an investment decision. The trustees, plan consultant, and Trust service providers do not give investment advice.

Investment terms

Asset Allocation: An investment strategy with a goal of balancing risk and reward by investing a portfolio's assets according to an investor's predetermined goals, risk tolerance, and time horizon. Money invested is allocated among different asset classes that do not all react the same to events in order to meet the investment goals of the individual investor.

Bond: A debt investment in which an investor loans money to an entity (corporate or government) that borrows the funds for a defined period typically at a fixed interest rate. Bonds may also have variable interest rates. The bondholder does not have ownership rights to the bond issuer unlike a stockholder. Bonds offer a higher level of credit protection than stocks and therefore are a more conservative investment.

Capitalization: The collective market value of the stock of a corporation. The market price of a share of stock, multiplied by the number of shares outstanding, equals the market capitalization of a corporation.

Diversification: Mixing a wide variety of investments within a portfolio.

Large Cap: Refers to companies with a "large market capitalization," generally with capitalization valued at more than $10 billion.

Mid Cap: Refers to companies with market capitalization of between $2-$10 billion.

Mutual Fund: Investment vehicle made up of a pool of money collected from different investors to invest in securities. Mutual funds are operated by money managers who invest the fund's capital and attempt to produce capital gains and income for the fund's investors.

Principal Value: The amount of the original investment.

Prospectus: Document that provides details about an investment offering for sale to the public. Required by Securities Exchange Commission (SEC).

Rebalancing: The process of buying or selling assets in a portfolio to maintain the investor's desired levels of investment allocation between asset classes.

Security: An instrument representing ownership, a debt agreement, or the rights to ownership. Examples of a security are Treasury Bills, Commercial Paper, Certificates of Deposit (CDs), bonds, stocks, and derivative contracts.

Separate Account: A private investment account opened through a brokerage or financial advisor that is used to buy individual assets.

Stock: A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

Time Horizon: The length of time over which an investment is made or held before it is liquidated.

Total Return: The actual rate of return of an investment over a given evaluation period, includes interest, capital gains, dividends, and distributions.

Volatility: Statistical measure of dispersion of returns for a given security or market index.