

HOW IS THE PLAN INVESTED?

Our Investment Goal: Steady as She Goes

We sometimes hear from participants or retirees things like “Why were you invested in those stocks? They did terribly last year!” or “You should have been invested in XYZ Company – my brother-in-law made a mint from that stock!”

We would love to be able to see into the future in order to make every correct investment choice. But we can't, so our best course of action is to consider the advice of professional investment experts and diversify, diversify, diversify.

Diverse Investments Cushion the Ups and Downs

Investment advisers talk about “balanced portfolios” and “diversification” because spreading our investments around is key to reducing losses while still getting significant gains.

For example, when U.S. stocks are suffering, stocks in other markets such as South America, Asia or Europe might be doing great. If all of your money was invested in U.S. stocks, you'd be on a roller coaster ride – with some great highs and some scary lows. On the other hand, if we have money in different types of investments around the world, it smooths out the ride. It allows us to capture good returns from many markets and because the good returns don't generally happen everywhere at the same time, we can avoid the full impact of market downsides.

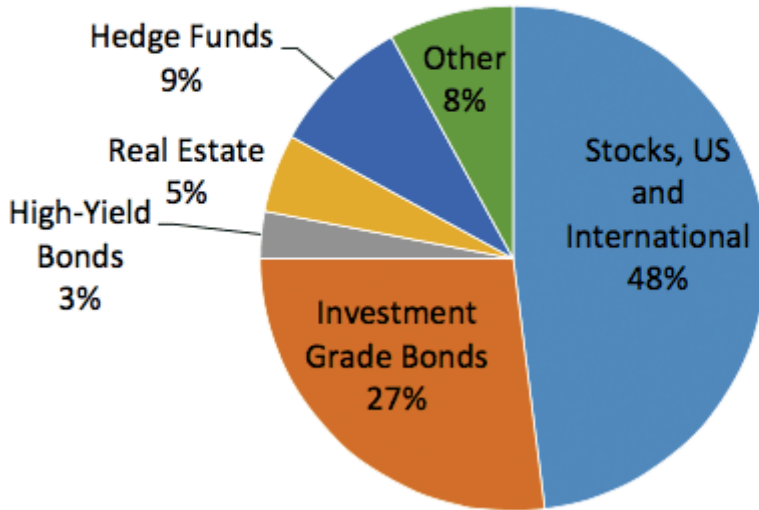
That's why our Plan has a diverse set of investments.

Different Types of Investments Give Us a Variety of Benefits

It's extremely important to protect the Plan's assets so we can pay benefits to retirees now and many years in the future. With protection in mind, a portion of the fund is invested in bonds, which are quite safe, to protect the portfolio and provide stable, steady income. So, why don't we put our money in the safest possible investments?

The short answer is that in general the “safer” an investment is, the less potential there is for making money on it. You could lock your money in a safe, but because of inflation, the buying power of that money would shrink.

How the Plan Is Invested

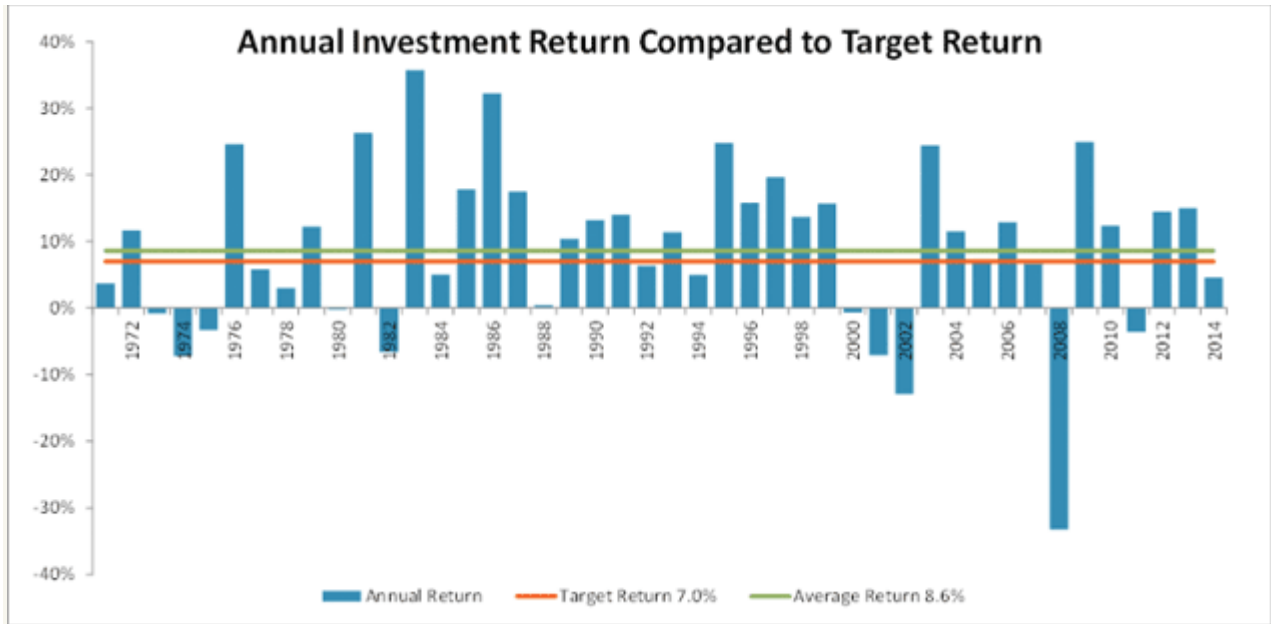


Part of protecting the Plan's assets is to have them grow over time. So, we invest in stocks to produce growth. They have great growth potential, but they are risky – an individual company can be doing great one day and fail the next. But, if we weren't invested in stocks we wouldn't be able to earn enough to meet the long-term needs of the plan. So, we invest in a variety of U.S. and international stocks to spread our risk. Then we go further and invest in other investments, such as real estate, hedge funds, and high-yield bonds, to further diversify, producing good returns and smoothing out the ride.

Investing for the Long-Term Pays Off

It's been shown that investors who try to "play the market" by constantly switching their investments tend to be worse off than those who stick with their strategy over the longer term. That doesn't mean we don't monitor our investments and change our strategy over time – we certainly do. But, we're in this for the long-term and how we do in any given year is much less important than how we do over many years.

This strategy has paid off. We assume the assets will earn an average of 7.0% over many years and we've actually averaged 8.6%.



We Take Our Responsibility Seriously

As trustees, we have a fiduciary responsibility to manage the Plan solely in the best interest of participants. We take that responsibility seriously. We act prudently and with professional advice. We invest in a diversified portfolio to avoid undue risk and volatility while pursuing a good return on investments. In the future we will continue to do these same things. We will continue to protect and grow the assets to provide retirement security for generations of Western Metal Industry Pension Fund participants and their spouses.