



CPChem Benefits: 401(k) Fund Change Additional Information

Dear CPChem 401(k) Participant,

This week, you have received or will receive a “fund change notice” from the CPChem Pension & Savings Service Center related to two upcoming 401(k) investment lineup changes scheduled for September 30, 2016. The CPChem Benefits Team is providing you additional background on the changes as considered by the CPChem Investment Committee (the “Committee”).

Fund Change #1: Replacement of the Money Market Fund

The move to the Vanguard Federal Money Market Fund Investor Shares (Ticker: VMFXX) from the Vanguard Prime Money Market Fund Admiral Shares (Ticker: VMRXX) is being made in response to new money market reforms, specifically changes to “prime” money market funds.

- Effective October 14, 2016, “prime” money market funds (money market funds that invest in both government and corporate debt instruments) are allowed to charge their customers a redemption fee in certain circumstances, e.g., a 1% surcharge fee if the fund’s weekly liquid assets drop to less than 10% of total assets and a 2% surcharge fee if liquid assets fall to less than 30% of overall assets.
- Also, prime funds will be allowed to set up “gates” – that is, temporarily suspend redemptions – in the event of a severe liquidity crisis. This means investors could have to wait for an indefinite period of time before liquidating their shares for transfer to another investment or for cashing out of the 401(k) plan.

“Government” money market funds (money market funds that invest only in government debt instruments) do not contain these two features that the Committee finds unfavorable to participants. Therefore, the Committee has selected a government money market fund to replace the current prime money market fund, although government money market funds’ investment returns are generally expected to be slightly lower than prime money market funds’ returns. The Vanguard Federal Money Market Fund Investor Shares was selected.

Fund Change #2: Replacement of the Large Cap Value Equity Fund

The incumbent large cap value equity fund, American Beacon Large Cap Value Fund Class Institutional (Ticker: AADEX), will be replaced with Fidelity® Large Cap Value Index Fund Institutional Class (Ticker: FLCMX). A key consideration for the change is the lower historical and lower future expected performance of the American Beacon fund than the future expected performance of the Russell 1000 Value Index and therefore the Fidelity fund, as summarized below:

Average Annual Total Returns, as of 7/31/2016

Description	1 Year	3 Years	5 Years	10 Years
American Beacon Large Cap Value Fund Class Institutional	-3.00%	5.97%	11.12%	5.76%
Index: Russell 1000 Value	5.38%	8.99%	12.75%	6.18%

While the Fidelity fund was recently formed and does not have historical performance, the future returns are expected to closely match the Russell 1000 Value Index. Also, the expense ratio is the lowest of the prospective investment alternatives reviewed by the Committee.

Investment Considerations

The Vanguard Federal Money Market Fund and the Fidelity® Large Cap Value Index Fund Institutional Class were selected based on the Committee’s general practices of working with an independent investment consultant and examining certain performance factors, including, but not limited to, historical performance (where applicable), investment manager strategy/style, trading practices, return vs. volatility, and fees.

As you review the information provided in this e-mail, please remember that the performance data considered in selecting the new funds does not guarantee future results. Current performance may be higher or lower than the performance stated. You can always receive the most recent information on any fund by visiting the “Investment Performance & Research” page on www.netbenefits.com.

The Benefits Team hopes you find this additional information helpful. Please e-mail us at CPCRABENEFITS@cpchem.com with any questions or check out the “Fund Change Information Center” at <http://www.mycpchembenefits.com/401k-Fund-Changes.aspx> for additional information.

Best Regards,

The Chevron Phillips Chemical Benefits Team