2025 Retirement Portfolio

**Objective**
Seeks to achieve the highest total return over time, consistent with the Portfolio's asset mix.

**Investment Strategy**
- A diversified Portfolio of stocks, bonds, and other fixed income investments built for investors who anticipate retiring around 2025, typically those born between 1958 and 1962.
- The investment mix becomes progressively more conservative over time as the Portfolio approaches and passes through its target retirement date.
- The Portfolio’s “target date” is the approximate year when an investor expects to retire and begin withdrawing from the account.
- When the Portfolio reaches its target date, its investment mix is expected to be 63.50% stocks and 36.50% bonds.
- The Portfolio’s final investment mix, which is expected to occur 15 years after the target date, is expected to be 30% stocks and 70% bonds.

**Primary Investments**
- Equity holdings are diversified across investment styles, company sizes and geographic regions.
- The Portfolio targets an equity mix of 65% US stocks and 35% non-US stocks.
- The fixed-income portion of the Portfolio invests primarily in investment-grade core bonds of intermediate duration and may also include inflation-protected securities and cash/short-term bonds.

**Manager Summary**
The asset allocation manager is AllianceBernstein L.P. The investment managers and portfolios underlying the Retirement Portfolios were selected by Merck’s Management Pension Investment Committee (MPIC) and include the following: State Street Global Advisors (SSGA) passively manages the US Large Cap Stocks and Inflation-Protected Securities investment components of the Retirement Portfolios. SSGA also passively manages a portion of the US Small Cap Stocks and International Stocks investment components. Fidelity Management & Research Company (FMR) actively manages the Cash/Short-Term investment component. Jennison Associates and Fisher Investments actively manage portions of the US Small Cap Stocks investment components. American Funds and FMR actively manage portions of the International Stocks investment components. Dimensional Fund Advisors (DFA) and Wellington Management (Wellington) actively manage portions of the Emerging Market Stocks investment components. In addition, Wells Capital Management, JPMorgan Asset Management and AllianceBernstein L.P. actively manage portions of the Core Fixed Income investment components.

**Investments Become More Conservative Over Time**

A Word About Risk
- **Market Risk**: The market values of the portfolio’s holdings rise and fall from day to day, so investments may lose value.
- **Interest Rate Risk**: Fixed-income securities may lose value if interest rates rise or fall—long-term securities tend to rise and fall more than short-term securities.
- **Credit Risk**: A bond’s credit rating reflects the issuer’s ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. If the issuer’s financial strength deteriorates, the issuer’s rating may be lowered and the bond’s value may decline.
- **Allocation Risk**: Allocating to different types of assets may have a large impact on returns if one of these asset classes significantly underperforms the others.
- **Foreign (Non-US) Risk**: Investing in non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. These risks are magnified in securities of emerging or developing markets.
- **Currency Risk**: If a non-US security’s trading currency weakens versus the US dollar, its value may be negatively affected when translated back into US dollar terms.
- **Capitalization Size Risk (Small/Mid)**: Small and mid-cap stocks are often more volatile than large-cap stocks—smaller companies generally face higher risks due to their limited product lines, markets and financial resources.

Principal invested is not guaranteed at any time, including at or after the funds’ target dates. Also, investing in a Retirement Portfolio does not guarantee sufficient income in retirement.
The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Portfolio's monthly target allocation for each asset class. Target allocations adjust quarterly in accordance with the Portfolio's standard glide path. The S&P 500 Index was used to represent the allocation to US Large Cap Stocks, Russell 2000 Index to represent US Small Cap Stocks, MSCI EAFE Index to represent International Stocks, MSCI Emerging Markets Index to represent Emerging Market Stocks, Bloomberg Barclays US Aggregate Index to represent Intermediate Duration Bonds, Bloomberg Barclays 1-10 Year US Government Inflation-Linked Bond Index to represent Inflation Protected Securities, and Financial Times Stock Exchange 3-Month Treasury Bill to represent Cash/Short-Term Bonds.

Past performance is no guarantee of future results. The benchmark for the Retirement Portfolios is a customized benchmark that has the same target asset allocation as the Portfolio’s target asset allocation and uses index returns to represent performance of the asset classes. The benchmark returns were calculated by weighting the monthly index returns of each asset class by the Portfolio’s monthly target allocation for each asset class. Target allocations adjust quarterly in accordance with the Portfolio’s standard glide path. The S&P 500 Index was used to represent the allocation to US Large Cap Stocks, Russell 2000 Index to represent US Small Cap Stocks, MSCI EAFE Index to represent International Stocks, MSCI Emerging Markets Index to represent Emerging Market Stocks, Bloomberg Barclays US Aggregate Index to represent Intermediate Duration Bonds, Bloomberg Barclays 1-10 Year US Government Inflation-Linked Bond Index to represent Inflation Protected Securities, and Financial Times Stock Exchange 3-Month Treasury Bill to represent Cash/Short-Term Bonds.

Important Notes

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