

Morningstar® Target Allocation Index Family

Learn More

For more information about all of Morningstar’s indexes, please visit:
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Market volatility heightens the appeal of strategies that focus on investment outcomes. Today’s investors are concerned with more than beating market returns. They want to achieve defined goals — such as saving for higher education, generating income in retirement, or protecting their purchasing power against inflation all while maintaining a comfortable level of risk.

A multi-asset strategy gives a portfolio the underlying structure necessary to aim for an outcome that’s important to the investor.

A New Global Family of Benchmarks

As multi-asset investing continues to grow, so does the challenge for investors. How best to select from a growing line of funds and model portfolios that incorporate professional allocation advice?

Unlike single asset-class funds, asset allocation products have unique properties that often makes bench-marking complex and imperfect. As regulatory pressure grows, investors and managers alike are grappling with the issue of how to choose and evaluate a portfolio that mixes stocks, bonds, and other assets. The Morningstar Target Allocation Index family is designed to give investors an unbiased tool to benchmark performance across risk tolerances. The Index family is aligned with the Morningstar Category Classifications for asset allocation mutual funds, giving investors a consistent approach to defining risk and allocation preferences. The multi-asset indexes in the target allocation family are the first to follow a consistent benchmark construction approach across global regions.

A Data-Driven Approach to Asset Allocation

Morningstar has been an industry leader in asset-allocation research and holdings-based analysis for over 30 years. We use its database of investment portfolio holdings, which

is free of survivorship bias, in our weighting methodology to capture local investors’ home bias and preference for certain asset classes. These weights closely represent the asset-allocation profiles of all eligible open-end mutual funds assigned to a category within a particular region. Each index maintains a consistent equity allocation as defined by each Morningstar Category.

Security Selection by Morningstar Indexes

The securities selected for the asset allocation indexes are driven by a clear and consistently applied set of rules powering Morningstar’s comprehensive index family. Morningstar indexes are designed to be seamless, investable building blocks that deliver pure asset-class exposure. Asset classes are nonoverlapping and represent the building blocks most commonly used by asset allocators constructing goals-based portfolios. Morningstar indexes cover a global set of stocks, bonds and cash.

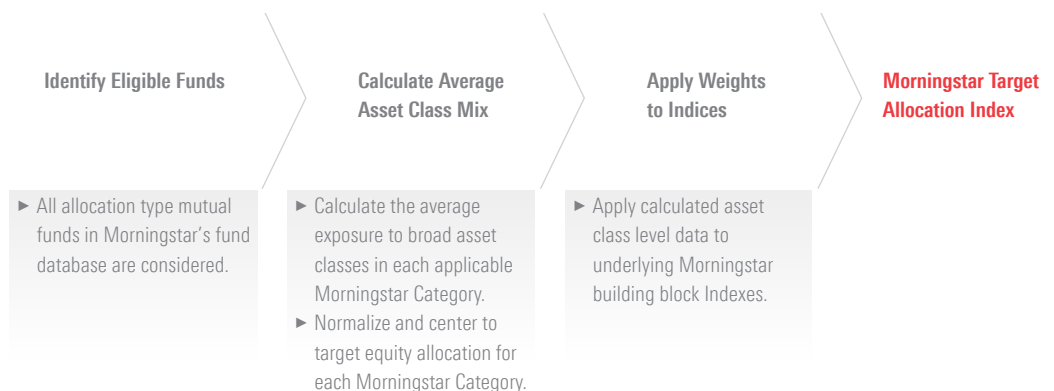
Reconstitution and Rebalancing

Asset-class weights are adjusted annually in June to incorporate the latest holdings data in our universe. The indexes are rebalanced to the target weights monthly and priced daily.

Key attributes

- ▶ Varying levels of risk to accommodate investors with different risk tolerances
- ▶ Data-driven asset-allocation methodology
- ▶ Pure asset-class exposure through equity, bond and cash Morningstar Index building blocks
- ▶ Aligned with Morningstar Category classifications for funds
- ▶ Available in 4 regional sub-families: Canada, Europe, United Kingdom, and United States.

Index Weighting Methodology



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Morningstar Category classifications:

Introduced in 1996 to solve the problem of breaking portfolios into peer groups based on their holdings and to allow meaningful comparison between funds. The definitions of these categories for allocation funds help drive the index methodology, as each allocation

category stipulates a certain equity or equitylike range. Morningstar indexes use the midpoint of this range as the target equity allocation of each Index. For example, if a Morningstar Category stipulates 40%-60% equity allocation, the index will be held at a constant 50% equity.

Current Morningstar Target Allocation Index Asset Mixes

	UK Equities	Developed Europe ex-UK Equities	Dev Markets ex-EUR Equities	Emerging Markets Equities	Total Equity Weight	UK Core Bonds	Global ex-UK Core Bonds (Hedged)	Cash	Total Fixed Income Weight
Morningstar® UK Adventurous Target Allocation Index SM	25.5%	12.0%	42.5%	10.0%	90.0%	1.0%	4.0%	5.0%	10.0%
Morningstar® UK Moderately Adventurous Target Allocation Index SM	24.5%	10.0%	30.5%	5.0%	70.0%	8.0%	13.0%	9.0%	30.0%
Morningstar® UK Moderate Target Allocation Index SM	16.5%	8.0%	22.0%	3.5%	50.0%	14.0%	25.5%	10.5%	50.0%
Morningstar® UK Moderately Cautious Target Allocation Index SM	10.5%	5.0%	12.5%	2.0%	30.0%	20.0%	37.5%	12.5%	70.0%
Morningstar® UK Cautious Target Allocation Index SM	3.5%	1.5%	5.0%	0.0%	10.0%	29.0%	48.0%	13.0%	90.0%
	Canadian Equities	US Equities	Developed ex-NA Equities	Emerging Market Equities	Total Equity Weight	Canadian Bonds	Global ex-Canada Bonds (Hedged)	Cash	Total Fixed Income Weight
Morningstar® Canada Equity Target Allocation Index SM	53.5%	15.5%	6.0%	0.0%	75.0%	18.0%	3.0%	4.0%	25.0%
Morningstar® Canada Neutral Target Allocation Index SM	32.0%	12.5%	5.5%	0.0%	50.0%	36.5%	8.5%	5.0%	50.0%
Morningstar® Canada Fixed Income Target Allocation Index SM	10.0%	7.5%	5.0%	0.0%	22.5%	56.0%	15.0%	6.5%	77.5%
Morningstar® Canada Equity Global Target Allocation Index SM	20.5%	29.5%	19.5%	5.5%	75.0%	11.5%	9.0%	4.5%	25.0%
Morningstar® Canada Neutral Global Target Allocation Index SM	12.5%	22.0%	12.5%	3.0%	50.0%	23.5%	20.5%	6.0%	50.0%
Morningstar® Canada Fixed Income Global Target Allocation Index SM	7.0%	9.5%	6.0%	0.0%	22.5%	41.5%	29.5%	6.5%	77.5%
	US Equities	Developed ex-US Equity	Emerging Markets Equity	Total Equity Weight	US Bonds	Global ex-US Bonds (Hedged)	Cash	Total Fixed Income Weight	
Morningstar® US Aggressive Target Allocation Index SM	69.0%	19.0%	4.5%	92.5%	3.5%	0.0%	4.0%	7.5%	
Morningstar® US Moderately Aggressive Target Allocation Index SM	56.0%	17.0%	4.5%	77.5%	15.0%	3.0%	4.5%	22.5%	
Morningstar® US Moderate Target Allocation Index SM	47.5%	10.0%	2.5%	60.0%	30.0%	4.5%	5.5%	40.0%	
Morningstar® US Moderately Conservative Target Allocation Index SM	28.5%	9.5%	2.0%	40.0%	45.5%	8.5%	6.0%	60.0%	
Morningstar® US Conservative Target Allocation Index SM	17.0%	5.5%	0.0%	22.5%	57.0%	12.0%	8.5%	77.5%	
	Developed Europe Equities	Developed ex-Europe Equities	Emerging Markets Equities	Total Equity Weight	Eurozone Core Bonds	Global ex-Euro Bonds (Hedged)	Cash	Total Fixed Income Weight	
Morningstar® Euro Aggressive Target Allocation Index SM	68.0%	12.5%	2.0%	82.5%	9.0%	3.0%	5.5%	17.5%	
Morningstar® Euro Moderate Target Allocation Index SM	40.0%	8.5%	1.5%	50.0%	29.5%	11.0%	9.5%	50.0%	
Morningstar® Euro Cautious Target Allocation Index SM	14.0%	3.5%	0.0%	17.5%	48.5%	20.5%	13.5%	82.5%	
Morningstar® Euro Aggressive Global Target Allocation Index SM	35.5%	40.5%	6.5%	82.5%	5.5%	6.5%	5.5%	17.5%	
Morningstar® Euro Moderate Global Target Allocation Index SM	21.5%	24.5%	4.0%	50.0%	20.0%	20.5%	9.5%	50.0%	
Morningstar® Euro Cautious Global Target Allocation Index SM	9.0%	8.5%	0.0%	17.5%	36.5%	32.5%	13.5%	82.5%	