Morningstar® Australia & New Zealand Target Allocation Index Family

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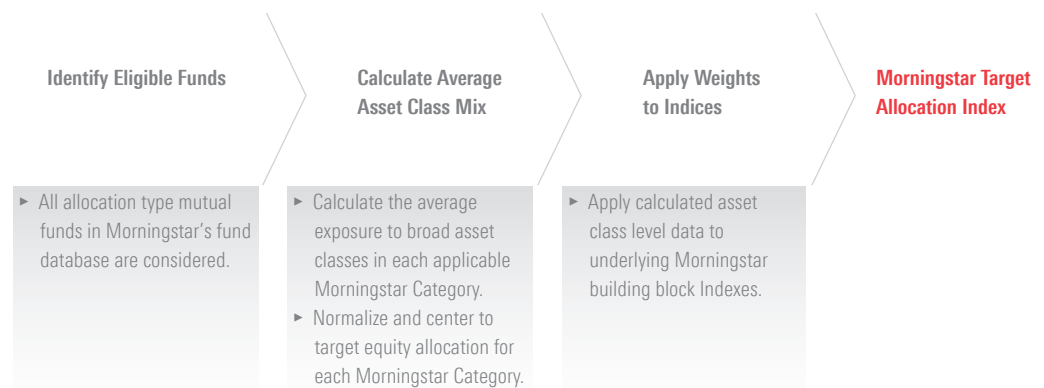
Reconstitution and Rebalancing
Asset-class weights are adjusted annually in June to incorporate the latest holdings data in our universe. The indexes are rebalanced to the target weights monthly and priced daily.

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 7 regional sub-families: Canada, Europe, United Kingdom, United States, Japan, Australia, and New Zealand.

Index Weighting Methodology

Identify Eligible Funds	Calculate Average Asset Class Mix	Apply Weights to Indices	Morningstar Target Allocation Index
▸ All allocation type mutual funds in Morningstar's fund database are considered.	▸ Calculate the average exposure to broad asset classes in each applicable Morningstar Category. ▸ Normalize and center to target equity allocation for each Morningstar Category.	▸ Apply calculated asset class level data to underlying Morningstar building block Indexes.	

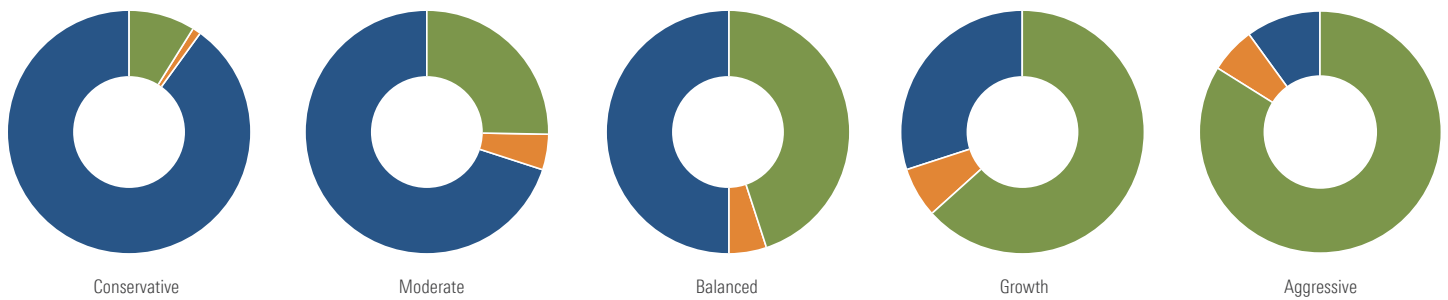**Morningstar® Target Allocation Index Family**

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.

Morningstar Australia Target Allocation Index Asset Mixes

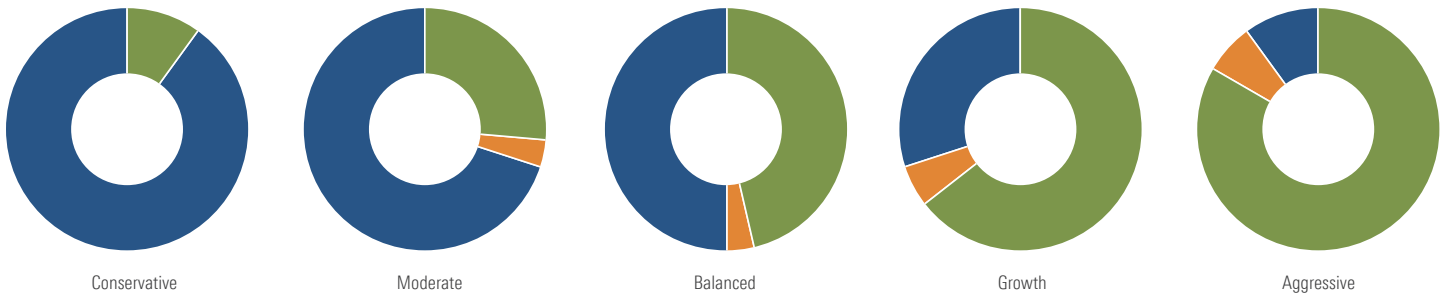● Equity ● Property ● Fixed Income & Cash

Conservative   Moderate   Balanced   Growth   Aggressive

	Growth/Defensive	Equity (%)	Property (%)	Fixed Income & Cash (%)
Morningstar® Australia Conservative Target Allocation NR AUD	10/90	9.0	1.0	90.0
Morningstar® Australia Moderate Target Allocation NR AUD	30/70	25.5	4.5	70.0
Morningstar® Australia Balanced Target Allocation NR AUD	50/50	45.0	5.0	50.0
Morningstar® Australia Growth Target Allocation NR AUD	70/30	63.5	6.5	30.0
Morningstar® Australia Aggressive Target Allocation NR AUD	90/10	84.0	6.0	10.0

Source: Morningstar Indexes as of June 2021.

Morningstar New Zealand Target Allocation Index Asset Mixes

● Equity ● Property ● Fixed Income & Cash

Conservative	Moderate	Balanced	Growth	Aggressive

	Growth/Defensive	Equity (%)	Property (%)	Fixed Income & Cash (%)
Morningstar® New Zealand Conservative Target Allocation	10/90	10.0	0.0	90.0
Morningstar® New Zealand Moderate Target Allocation	30/70	26.5	3.5	70.0
Morningstar® New Zealand Balanced Target Allocation	50/50	46.5	3.5	50.0
Morningstar® New Zealand Growth Target Allocation	70/30	64.5	5.5	30.0
Morningstar® New Zealand Aggressive Target Allocation	90/10	83.5	6.5	10.0

Source: Morningstar Indexes as of June 2021.

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