



March 19, 2025

## Consultation on Changing the Domestic Fixed Income Component in the Morningstar Korea Lifetime Allocation Index series

### Background

The Morningstar Korea Lifetime Allocation Index series includes the Morningstar Korea Lifetime Allocation Moderate Indexes and the Morningstar Korea Lifetime Allocation Aggressive Indexes. These indexes are each composed of five underlying Morningstar Indexes that are used as asset allocation building blocks corresponding to various asset classes designed to be relevant to the Korean target-date investor. Please see the asset classes and their underlying Morningstar Indexes in the chart below:

| <b>Asset Class</b>            | <b>Morningstar Index</b>                          |
|-------------------------------|---------------------------------------------------|
| International equity          | Morningstar Developed Markets Index               |
| Emerging market equity        | Morningstar Emerging Markets Index                |
| International fixed income    | Morningstar Global Treasury Bond Index            |
| Emerging markets fixed income | Morningstar Emerging Markets Sovereign Bond Index |
| Domestic fixed income         | Morningstar Korea Treasury Bond Index             |

The domestic fixed income component in the index series currently measures the full maturity spectrum of Korean Treasury bonds, including bonds with maturities greater than 20 years. This can sometimes result in a long duration for the indexes, which may not be representative of the local market.

### Proposed Change

Morningstar Indexes is seeking feedback on a proposal to change the domestic fixed income component in the Morningstar Korea Lifetime Allocation Index series. This change would replace the current Morningstar Korea Treasury Bond Index with a new index, the Morningstar Korea 1-20 Year Treasury Bond Index.

This new index uses a maturity-based screen to remove bonds with 20 or more years until final maturity. The replacement of this component in the series is intended to utilize a domestic fixed income allocation with a duration more prevalent in the local market. Please note, while the intention of this change is to lower the duration of the index, the maturity-based screen does not fully guarantee control on the duration over time as issuance in the local market changes.

This change will be effective for all indexes in the series:

| Series Name                                              | Indexes                                                           |
|----------------------------------------------------------|-------------------------------------------------------------------|
| Morningstar Korea Lifetime Allocation Moderate Indexes   | Morningstar Korea Lifetime Allocation Moderate 2030 Index         |
|                                                          | Morningstar Korea Lifetime Allocation Moderate 2040 Index         |
|                                                          | Morningstar Korea Lifetime Allocation Moderate 2050 Index         |
|                                                          | Morningstar Korea Lifetime Allocation Moderate 2060 Index         |
| Morningstar Korea Lifetime Allocation Aggressive Indexes | Morningstar Korea Lifetime Allocation Aggressive 2030 Index       |
|                                                          | Morningstar Korea Lifetime Allocation Aggressive 2035 Index       |
|                                                          | Morningstar Korea Lifetime Allocation Aggressive 2040 Index       |
|                                                          | Morningstar Korea Lifetime Allocation Aggressive 2045 Index       |
|                                                          | Morningstar Korea Lifetime Allocation Aggressive 2050 Index       |
|                                                          | Morningstar Korea Lifetime Allocation Aggressive 2055 Index       |
|                                                          | Morningstar Korea Lifetime Allocation Aggressive Retirement Index |

### Submit your responses and questions

Morningstar Indexes welcomes client feedback regarding this proposed change. Responses to this consultation can be submitted [here](#).

General questions about the consultation may also be sent to [indexes@morningstar.com](mailto:indexes@morningstar.com).

### Key dates

- **Consultation:** The consultation will be open for response from March 19 to April 2, 2025.
- **Decision announcement:** Final decisions will be announced by April 10, 2025.
- **Proposed implementation:** This change will be implemented after the close of business on June 30, 2025, and will be effective July 1, 2025.

## Questions

1. Should Morningstar Indexes replace the Morningstar Korea Treasury Bond Index with the Morningstar Korea 1-20 Year Treasury Bond Index in the Morningstar Korea Lifetime Allocation Index series?
  - a. Yes
  - b. No
  - c. Other, please explain.
2. Should Morningstar Indexes consider an alternative approach to lower the duration of the domestic fixed income index than the one proposed here?
  - a. No
  - b. Yes, please explain.
3. Do you have any objections if Morningstar Indexes implements this change at the annual reconstitution in June 2025?
  - a. No
  - b. Yes, please explain.
4. What other factors should Morningstar Indexes consider in making this decision?

## About Morningstar Indexes

Morningstar Indexes has been designing modern solutions for 20 years, but what makes us truly unique has been more than three decades in development. Our rich history began in 1984, when Morningstar was founded on a promise to empower investors with data and research that is independent and objective. Over time, our collection of data has expanded considerably—and so has its application. Today, Morningstar Indexes draws on unique IP to unlock an extensive range of emerging opportunities for investors of every kind, while providing a robust institutional beta platform for core investing.

## Contact Us

[MorningstarIndexesAlerts@morningstar.com](mailto:MorningstarIndexesAlerts@morningstar.com) is a no-reply email address. For questions concerning this notification, please contact us at

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