

# Morningstar® Multi-Asset High Income Index<sup>SM</sup>

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## Bloomberg Tickers

Price Return Index—MAHIP  
 Total Return Index—MAHIT

Income paying strategies may provide lower risk and more stability in volatile markets. The Morningstar® Multi-Asset High Income Index<sup>SM</sup> is designed to take advantage of this benefit, while also providing investors with diversification among income streams and asset classes. Investors that prefer to avoid dipping into their principal may find income focused strategies attractive.

Among equity investments, securities that pay above average income tend to exhibit lower risk and their prices hold up well when markets become volatile. Among fixed income investments, securities that pay above average income tend to be higher risk securities like high yield and long term bonds. The diversification benefit that can come from a multi-asset approach to higher income investing can help reduce risks like the interest rate risks associated with long term bonds, the significant market sensitivity of value stocks, and the credit risk of high yield bonds.

## The Morningstar Multi-Asset High Income Index

The Morningstar Multi-Asset High Income Index is broadly diversified and seeks to deliver a high level of current income while maintaining long-term capital appreciation. This index consists of a comprehensive set of exchange-traded funds (ETFs) that collectively target equity, fixed-income, and alternative income sources.

## Index Methodology

ETFs are considered for inclusion in the index only if they are classified to be equity, fixed income, or an alternative income source. If they are equity, they must also be classified in one of the following sub-asset classes: U.S. Style and Size, International Style and Size, Emerging Markets, Dividend Focused, or Global Infrastructure. If fixed income, they must also be classified in one of the following sub-asset classes; broad market, credit, government (U.S. and Non-U.S., mortgages, or international). If an alternative income source, they must also be classified as either preferred or REITs.

## Investable Universe

In addition to the general eligibility criteria, to qualify for inclusion in the investable universe, a security must also meet the following criteria:

- ▶ The ETF must trade on a U.S. exchange.
- ▶ The ETF must have at least a 1-year trading history.
- ▶ The ETF must have a history of dividend payment over previous 12 months.
- ▶ The ETF must have fewer than 10 non-trading days over the previous three months.
- ▶ The ETF must have a 3-Month Average Daily Trading Volume greater than 25,000 shares.

## Morningstar Multi-Asset High Income Index Construction Process



**Morningstar Multi-Asset High Income Index Risk/Return Comparison**

Security	Trailing Returns			12-Month Yield* %	Standard Deviation %	Sharpe Ratio	Max Drawdown %
	1-Year %	3-Year %	4-Year %				
<b>Morningstar Multi-Asset High Income Index</b>	<b>5.32</b>	<b>6.63</b>	<b>8.82</b>	<b>4.95</b>	<b>6.61</b>	<b>1.00</b>	<b>-9.39</b>
Morningstar Conservative Target Risk Index	2.21	3.45	4.84	—	2.90	1.17	-2.39
Morningstar US Market Index	12.60	16.35	14.79	1.94	9.71	1.61	-6.73
Morningstar Global Ex-US Index	-0.65	7.11	5.66	2.91	12.32	0.62	-12.35
FTSE NAREIT All Equity REITs Index	22.68	14.05	15.60	3.63	12.63	1.10	-13.34
Barclays Capital U.S. Aggregate Index	5.72	3.10	4.41	2.80	2.90	1.05	-3.67

Data as of March 31, 2015.

\*12-Month Yield is the geometric difference between the Price Return and Total Return index return for the trailing twelve month period. The Total Return index calculation reflects income reinvestment on the ex-date. Morningstar uses this approach because it considers interest and dividend payments on the ex-date and is an uncomplicated calculation for the many asset classes included in this comparison.

**Index Weighting Methodology**

To maintain broad exposure and diversification, the Index will maintain a weight allocation at each rebalance of:

- ▶ 20% Equity
- ▶ 60% Fixed Income
- ▶ 20% Alternative Income Sources
- ▶ No more than 25% of assets can be invested in funds that have significant non-U.S. currency exposure.

Securities that meet the investable universe standards are selected and assigned a weight according to a variant of the Mean Variance Optimization equation developed by Morningstar. The equation creates an optimal portfolio based on the return, standard deviation, correlation, and yield of the eligible securities.

**Index Calculation**

The Morningstar Multi-Asset High Income Index values are calculated in real-time. Dividends are reinvested proportionally in the index sample of the total return index.

**Rebalancing & Reconstitution**

The Morningstar Multi-Asset High Income Index is re-constituted and rebalanced quarterly—on the last business day of the month in February, May, August, and November. The changes become effective on the next business day. Market data used for rebalancing is as of the close of the 10th business day of the rebalance month.

**Morningstar Multi-Asset High Income Index Holdings**

	Ticker	Weighting (%)
<b>Equity</b>		<b>19</b>
iShares International Select Dividend	IDV	14
iShares Core High Dividend	HDV	5
<b>Fixed-Income</b>		<b>61</b>
iShares iBoxx \$ High Yield Corporate Bd	HYG	20
iShares iBoxx \$ Invst Grade Crp Bond	LQD	15
iShares 10+ Year Credit Bond	CLY	10
iShares Emerg Mkts Local Currency Bond	LEMB	10
iShares Intermediate Credit Bond	CIU	3
iShares 20+ Year Treasury Bond	TLT	2
<b>Alternative Income Sources</b>		<b>20</b>
iShares Mortgage Real Estate Capped	REM	15
iShares US Preferred Stock	PFF	5

Holdings data as of March 31, 2015