

# Construction Rules for the Morningstar® Korea Lifetime Allocation Aggressive Indexes™



**Overview .....3**

**Index Construction .....4**

Methodology Summary .....4

Starting Universe.....4

Asset Allocation .....4

**Index Maintenance and Calculation .....5**

Reconstitution and Rebalancing.....5

Index Calculation and Price Data .....5

**Methodology Review and Index Cessation Policy .....6**

**Data Correction and Precision .....6**

Intraday Index Data Corrections.....6

Index-Related Data and Divisor Corrections.....6

Computational and Reporting Precision .....6

**Exceptions .....7**

**Appendixes.....7**

Appendix 1: Glossary .....7

Appendix 2: Constituent Indexes.....7

**About Morningstar Indexes.....8**

Overview

The Morningstar® Korea Lifetime Allocation Aggressive Indexes™ are broadly diversified indexes that help Korean investors with an aggressive risk tolerance mitigate the challenges related to rising life expectancies, evolving risk appetites, and postretirement income investing. The indexes utilize asset allocation methodologies developed and maintained by Morningstar Investment Management. The Morningstar Korea Lifetime Allocation Aggressive Index series utilizes Morningstar Indexes as asset allocation building blocks to support Korean target-date investors according to capital markets assumptions, human capital, and time horizon.

The Morningstar Korea Lifetime Allocation Aggressive Index series is comprised of the following 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™

The indexes do not incorporate Environmental, Social, or Governance (ESG) criteria.

Index Inception and Performance Start Date

Index	Performance Start Date	Inception Date
Morningstar Korea Lifetime Allocation Aggressive Index series	June 30, 2016	July 3, 2024

The performance start date represents when the first back-tested index value was calculated.

## Index Construction

### Methodology Summary

#### Starting Universe

- Select required asset class exposure using Morningstar Indexes:
  - Morningstar Korea Treasury Bond Index
  - Morningstar Global Treasury Bond Index
  - Morningstar Emerging Markets Sovereign Bond Index
  - Morningstar Developed Markets Index
  - Morningstar Emerging Markets Index

#### Eligibility

- Model the efficient frontier and construct the asset class allocation glidepaths according to capital markets assumptions, human capital, financial and time horizon

#### Portfolio Construction

- Adjust weighted asset class exposure to reduce risk over time according to glidepaths
- Rebalance underlying index weights monthly on last business day to maintain asset allocations according to glidepaths
- Reconstitute index weights annually in June to reflect updated glidepath assumptions

Morningstar Korea  
Lifetime Allocation  
Aggressive Indexes

### Starting Universe

Morningstar Indexes are selected as constituents for the Morningstar Korea Lifetime Allocation Aggressive Indexes, which are designed specifically for Korean target-date investors. The security selection for each Morningstar index is defined by the rules-based methodology applicable to each underlying Morningstar index in the constituents list.

### Asset Allocation

The asset allocation methodology provides the optimal portfolio of equities and fixed income to achieve the investment objectives for each target-date time horizon, known as a vintage.

Morningstar's approach to target-date benchmarks is to allocate the majority of assets to equities in the accumulation phase, with the remainder in various interest-bearing assets such as bonds. The percentage in equities reduces over time and gets allocated to lower-risk asset classes as the investor nears retirement. This adjustment in asset-class exposure over time is referred to as a glidepath. Korea government household statistics related to income and net assets, known as human capital assumptions, and expected market returns and risks by asset class (on a Korean won basis), known as capital markets assumptions, are incorporated into the asset allocation glidepath. This is further tailored according to overall risk level and investor risk capacity.

The asset allocations for the target-date glidepaths are reviewed and reconstituted annually according to research informed by human capital and capital markets assumptions. Market data assumptions as of March of the current year are used in asset allocation during reconstitution. Annual adjustments designed to reduce risk over time is the central theme of a target-date index.

The Morningstar Korea Lifetime Allocation Aggressive Indexes are constructed with an asset allocation aligned to the aggressive risk capacity level.

#### *Number of Constituents*

The constituent indexes are listed in [Appendix 2](#).

#### *Index Weighting*

The weights of each underlying Morningstar index are set according to the asset allocation glidepath for each vintage. Once set, the indexes will maintain a static asset allocation until the annual reconstitution adjustments are received from Morningstar Investment Management to support the updated target-date glidepaths.

### **Index Maintenance and Calculation**

#### **Reconstitution and Rebalancing**

##### Annual Reconstitution

Each index in the series is reconstituted annually and implemented after the close of business on the last working day of June and is effective the following business day.

##### Monthly Rebalance

Each index is rebalanced monthly and implemented after the close of business on the last working day of the month and is effective the following business day.

Refer to [Appendix 1](#) for details on reconstitution and rebalancing.

Index files are published according to the global calendar schedule. For more information, please refer to the [Morningstar Indexes Holiday Calendar](#).

#### **Index Calculation and Price Data**

Multi-Asset indexes follow the general global equity index calculation approach described in the [Morningstar Indexes Calculation Methodology](#).

The Gross Return (GR) index series reflects the changes in both prices and reinvestment of income paid by the index constituents. It is the weighted average of its constituent security total returns, based on the constituent weightings at the beginning of the period.

The Net Return (NR) index series reflects the price performance, plus the net amount of all special and regular dividends after applying an assumed foreign tax withholding rate.

## Methodology Review and Index Cessation Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews consider corporate action treatment, eligibility requirements, and maintenance procedures. Subscribers to the index will be notified before any methodology changes are made. For more details, refer to the [Morningstar Index Methodology Change Policy](#).

Morningstar Indexes notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to, or a possible cessation of, the index. These circumstances are generally not within Morningstar's control and may include significant changes to the underlying market structure, inadequate access to necessary data, geo-political events, and regulatory changes. In addition, factors such as low usage or methodology convergence may result in the cessation of an index.

Because the cessation of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures if an index is terminated. For more details, refer to the [Morningstar Index Cessation Process](#).

## Data Correction and Precision

### Intraday Index Data Corrections

Commercially reasonable efforts are made to ensure the accuracy of data used in real-time index calculations. If incorrect price or corporate action data affects index calculations, corrections are applied prospectively.

### Index-Related Data and Divisor Corrections

Incorrect pricing and corporate action data for individual issues in the database will generally be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within two days of its occurrence, will be fixed retroactively on the day it is discovered to prevent an error from being carried forward. Commercially reasonable efforts are made to correct an older error subject to its significance and feasibility.

For more details, refer to the [Recalculation Guidelines](#).

### Computational and Reporting Precision

For reporting purposes, index values are rounded to two decimal places and divisors are rounded to appropriate decimal places.

Exceptions

While Morningstar will seek to apply the method described above, the market environment, supervisory, legal, financial, or tax reasons may require an alternative approach to be adopted. A decision to take an alternative approach will be made by the relevant Morningstar Indexes Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Indexes Oversight Committee.

Appendixes

Appendix 1: Glossary

Terms	Description
Reconstitution	During each reconstitution, the membership is reset and the index weight of each constituent is adjusted.
Rebalance	During each rebalance, the weights are reset.

Appendix 2: Constituent Indexes

The constituent indexes of the Morningstar Korea Lifetime Allocation Aggressive Indexes are listed below and are subject to their own rules, which can be found on the Morningstar Indexes [website](#).

The Korea Lifetime Allocation Aggressive Indexes are calculated in KRW.

Indexes	Constituent Morningstar Indexes
Morningstar Korea Lifetime Allocation Aggressive Indexes	Morningstar® Developed Markets NR KRW Index™
	Morningstar® Emerging Markets NR KRW Index™
	Morningstar® Global Treasury Bond GR Hedged KRW Index™
	Morningstar® Emerging Markets Sovereign Bond GR Hedged KRW Index™
	Morningstar® Korea Treasury Bond GR KRW Index™

## About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers, and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation, and distribution services, our solutions span an investment landscape as diverse as investors themselves.

## Morningstar Indexes Methodology Committee

The Morningstar Indexes Methodology Committee oversees all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar owns the intellectual property. This committee is also charged with ensuring that indexes align with Morningstar Research principles and values. The group comprises members of the index team with index research, product development, product management, client service, index implementation, and operation expertise who provide the first layer of governance over index design and methodology.

## Morningstar Indexes Operations Committee

The Morningstar Indexes Operations Committee governs the processes, systems, and exception handling of the day-to-day management of all live indexes, including index rebalancing and reconstitution, restatements, market classification, and contingency management. The committee oversees the annual review of index methodology (as required by U.K. and EU benchmark regulations, or BMR), ensuring that methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group comprises members of the index team with data, operations, corporate actions, product development, index launch, client service, and index management experience who provide the first layer of governance over index operations.

## Morningstar Indexes Oversight Committee

The Morningstar Indexes Oversight Committee is responsible for the index oversight function as per the requirements of the U.K. and European BMR, providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant BMR. Its remit extends to all calculation and administration-related business activities of Morningstar Indexes, including administration of Morningstar-owned benchmarks as well as client-owned benchmarks and index calculation. The oversight function is part of the organizational structure of Morningstar but is separate and independent from the index business, index management, and the other index committees.

[www.indexes.morningstar.com](http://www.indexes.morningstar.com)

## Contact Us

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