Morningstar Japan Target Allocation Indexes

Learn more
Explore Morningstar Indexes'
full range of solutions

Contact us
indexes@morningstar.com

The Morningstar Target Allocation Indexes are a market-based tool designed for creating and benchmarking multi-asset investment portfolios according to region-specific asset class preferences and risk tolerances. By leveraging Morningstar's database of multi-asset funds to determine weights across key asset classes, the indexes provide investors with a market-based, regionally relevant asset allocation framework that is aligned with the Morningstar Categories for Allocation Funds.

Nine region-specific sets of Target Allocation Indexes are available, including Australia, Canada, Europe, Japan, Korea, New Zealand, United Kingdom, and United States as well as a multi-region set for Europe, Asia, and South Africa domiciled USD funds. Key features of the Morningstar Target Allocation Indexes include:

- **Seamless asset class representation** Each regional set of Morningstar Target Allocation Indexes is comprised of underlying Morningstar Indexes that closely represent the most commonly used asset allocation building blocks for multi-asset portfolios according to the region's Category data.

- **Regionally relevant risk-based asset allocation** Morningstar's database of multi-asset funds is used to determine the asset class allocations and weights for each regional set of Target Allocation Indexes, thereby reflecting local asset class preferences and risk tolerances.

- **Globally consistent, rules-based methodology** The Morningstar Target Allocation Indexes offer a premier market-based tool for multi-asset benchmarking and portfolio construction, built on an entirely rules-based and globally consistent methodology that reflects the asset allocation wisdom of the market.

- **Alignment with Morningstar Category classifications** The Morningstar Category classification system is a widely used tool by investors to identify funds and evaluate fund performance relative to other funds in the category.

Available Indexes

The Morningstar Japan Target Allocation Index series is comprised of the following indexes:

- Morningstar Japan Aggressive Target Allocation Index
- Morningstar Japan Moderately Aggressive Target Allocation Index
- Morningstar Japan Moderate Target Allocation Index
- Morningstar Japan Moderately Conservative Target Allocation Index
- Morningstar Japan Conservative Target Allocation Index

Starting universe

All open-end funds within the Morningstar Categories for Japan Allocation Funds are included in the initial universe from which average asset allocation will be calculated for each risk-based index. Allocation data for these categories is surveyed, and each fund's category assignment is based on portfolio risk score as determined by Morningstar's Investment Management group.

Average asset allocation

Asset allocation is determined according to the following process:

- A simple average asset allocation is calculated across all funds within each Allocation Fund Category (only one share class of a fund is considered).

- Removal of outliers: funds with average allocation below the 5th and above the 95th percentile of the respective Morningstar Category are excluded.

- The remaining funds are used to determine the asset allocation mix of equity, property, bond, and cash which serve as the primary asset classes. Weight from other asset classes is rescaled proportionally to the primary asset classes.
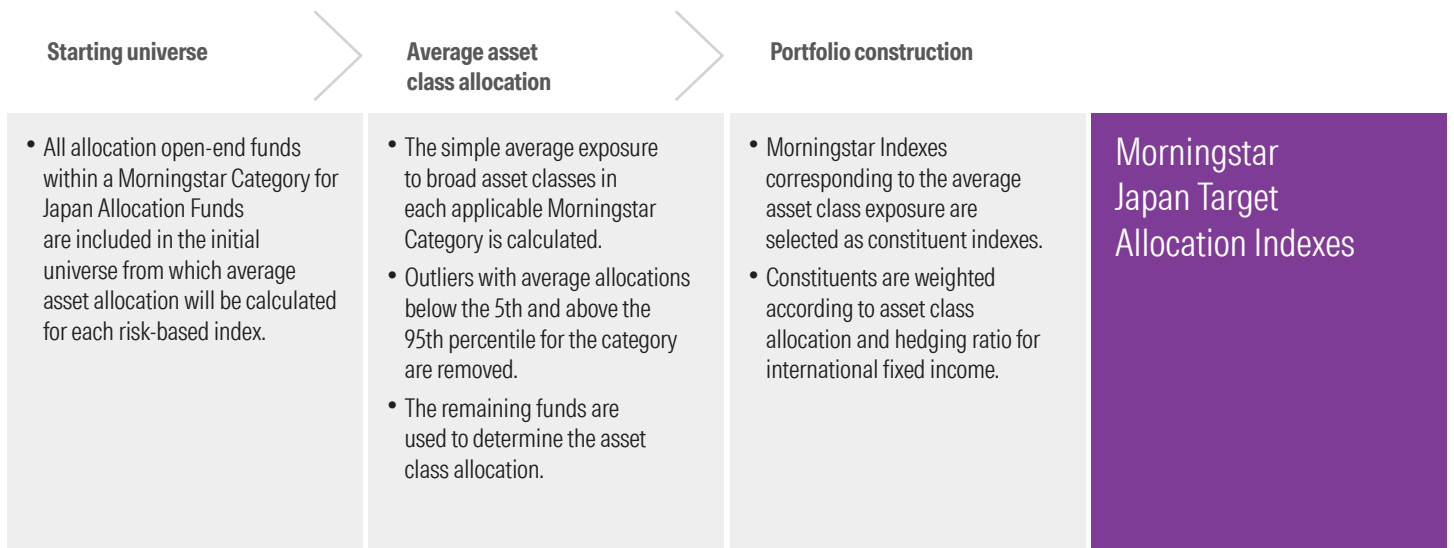
Portfolio construction

Morningstar Indexes are selected as constituents to correspond with the average asset class allocations. To better represent asset class risk, allocation to international fixed income is split into hedged and unhedged portions according to an annually calculated hedge ratio, and the hedged portion is re-allocated to domestic fixed income.
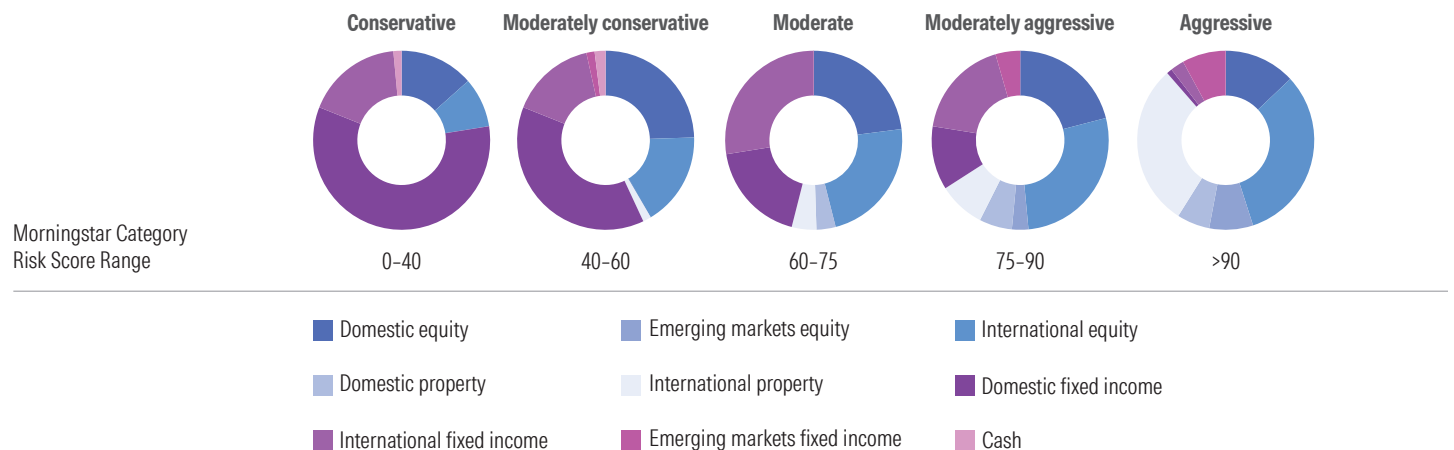
Index weighting and maintenance

The index weights are reconstituted annually in June, according to the average asset class calculation. Index rebalancing occurs monthly to maintain the target weights designated at the annual reconstitution.

Construction process

Starting universe	Average asset class allocation	Portfolio construction	
• All allocation open-end funds within a Morningstar Category for Japan Allocation Funds are included in the initial universe from which average asset allocation will be calculated for each risk-based index.	• The simple average exposure to broad asset classes in each applicable Morningstar Category is calculated. • Outliers with average allocations below the 5th and above the 95th percentile for the category are removed. • The remaining funds are used to determine the asset class allocation.	• Morningstar Indexes corresponding to the average asset class exposure are selected as constituent indexes. • Constituents are weighted according to asset class allocation and hedging ratio for international fixed income.	Morningstar Japan Target Allocation Indexes

Asset allocation

	Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
Morningstar Category Risk Score Range	0–40	40–60	60–75	75–90	>90

- ■ Domestic equity
- ■ Emerging markets equity
- ■ International equity
- ■ Domestic property
- ■ International property
- ■ Domestic fixed income
- ■ International fixed income
- ■ Emerging markets fixed income
- ■ Cash

MORNINGSTAR Indexes

Constituent indexes

Asset class	Morningstar index
Domestic equity	Morningstar Japan GR JPY Index
International equity	Morningstar Developed Markets ex-Japan NR JPY Index
Emerging markets equity	Morningstar Emerging Markets NR JPY Index
Domestic property	Morningstar Japan REIT GR JPY Index
International property	Morningstar Global Markets ex-Japan REIT NR JPY Index
Domestic fixed income	Morningstar Japan Core Bond GR JPY Index
International fixed income	Morningstar Global ex-Japan Core Bond GR JPY Index
Emerging markets fixed income	Morningstar Emerging Markets Composite Bond GR JPY Index
Cash	Morningstar Japanese Yen 1-Month Cash GR JPY 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.

Please visit indexes.morningstar.com for more information.

MORNINGSTAR Indexes