

Morningstar Target Risk Indexes

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The Morningstar Target Risk Indexes embed Morningstar's expertise in asset allocation according to five investor risk profiles. The asset allocation for the indexes is underpinned by research and methodologies developed and maintained by Morningstar Investment Management. The series utilizes Morningstar Indexes as asset allocation building blocks and is designed to meet the needs of investors seeking to maintain a target level of equity exposure through a portfolio diversified across equities, fixed income, and cash. Key features of the Morningstar Target Risk Indexes include:

- Risk based allocations: the indexes offer five tolerance profiles based on target equity exposure: conservative, moderately conservative, moderate, moderately aggressive, and aggressive
- Research based approach: more than 40 years of Morningstar Investment Management research supports the capital markets assumptions and mean-variance optimization approach used to determine the indexes' asset allocation
- Seamless asset class representation: 21 Morningstar Indexes across equity, fixed income, and cash serve as precise building blocks for each risk based asset allocation index

Available indexes:

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

Index by risk tolerance	Equity % / Fixed income exposure %
Morningstar Conservative Target Risk Index	20 / 80
Morningstar Moderately Conservative Target Risk Index	40 / 60
Morningstar Moderate Target Risk Index	60 / 40
Morningstar Moderately Aggressive Target Risk Index	80 / 20
Morningstar Aggressive Target Risk Index	95 / 5

Starting universe

The starting universe consists of commonly used domestic and foreign asset classes across equity, fixed income, and cash. There are 21 distinct asset classes and sub segments within the starting universe, represented by Morningstar Indexes.

Asset allocation

Morningstar Investment Management's research based asset allocation methodology provides an optimal portfolio of equity, fixed income, and cash for the Target Risk Indexes. A mean-variance optimization approach, which includes capital markets assumptions as a key input, determines the weight of each underlying Morningstar Index to correspond to the target equity exposure.

Portfolio construction and weighting

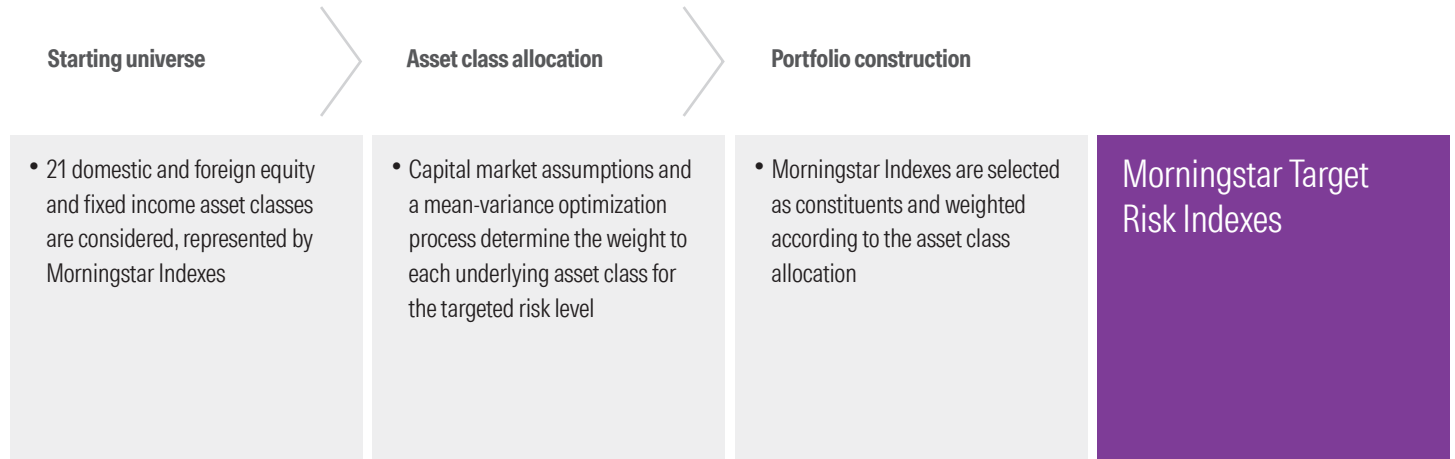
Morningstar Indexes are selected as constituents and weighted according to the asset class allocations determined by Morningstar Investment Management's asset allocation methodology for each index in the series.

Index maintenance

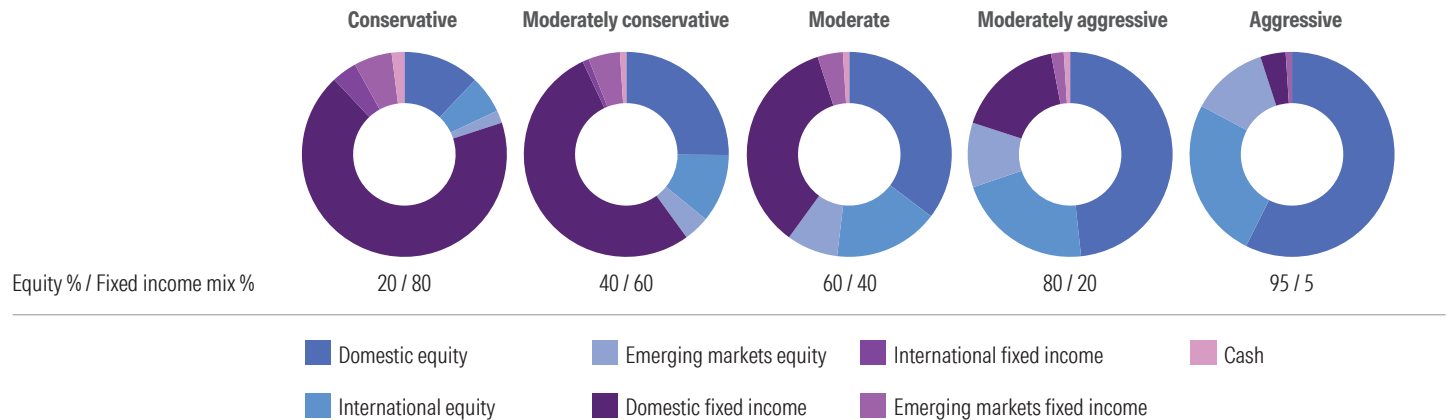
The indexes are reconstituted annually, where the underlying asset allocation is reset according to Morningstar Investment Management's updated capital market assumptions and mean-variance optimization process. The reconstitution is implemented after the close of business on the third Friday of June and is effective the following business day.

The index is rebalanced quarterly to maintain the target weights designated at the annual reconstitution.

Construction process



Asset allocation



Constituent indexes

Asset Class	Morningstar Index
Domestic equity	Morningstar US Large Value Index
	Morningstar US Large Core Index
	Morningstar US Large Growth Index
	Morningstar US Mid Value Index
	Morningstar US Mid Core Index
	Morningstar US Mid Growth Index
	Morningstar US Small Value Index
	Morningstar US Small Core Index
	Morningstar US Small Growth Index
Domestic property	Morningstar US REIT Index
International equity	Morningstar Developed Markets ex-US Index
International property	Morningstar Global Markets ex-US REIT Index
Emerging markets equity	Morningstar Emerging Markets Index
Domestic fixed income	Morningstar US 1-5 Year Core Bond Index
	Morningstar US 5-10 Year Core Bond Index
	Morningstar US 10+ Year Core Bond Index
Domestic inflation protected fixed income	Morningstar US 1-5 Year Treasury Inflation-Protected Securities Index
	Morningstar US 10+ Year Treasury Inflation-Protected Securities Index
International fixed income	Morningstar Global ex-US Treasury Bond Index
Emerging markets fixed income	Morningstar Emerging Markets Composite Bond Index
Cash	Morningstar US Dollar 1-Month Cash 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.