

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

# **S&P Target Risk Index Series** *Methodology*

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# Introduction

## Index Objective

The S&P Target Risk Index Series is comprised of four indices, each one measuring the performance of specific allocations to equities and fixed income.

## Highlights

Each index is fully investable, with varying levels of exposure to equities and fixed income through a family of exchange traded funds (ETFs).

These indices are intended to represent stock-bond allocations across a risk spectrum from conservative to aggressive. The assigned risk level of the index (conservative, moderate, growth, and aggressive) depends on the allocation to fixed income.

- **S&P Target Risk Conservative Index.** The index seeks to emphasize exposure to fixed income, in order to produce a current income stream and avoid excessive volatility of returns. Equities are included to protect long-term purchasing power.
- **S&P Target Risk Moderate Index.** The index seeks to provide significant exposure to fixed income, while also providing increased opportunity for capital growth through equities.
- **S&P Target Risk Growth Index.** The index seeks to provide increased exposure to equities, while also using some fixed income exposure to dampen risk.
- **S&P Target Risk Aggressive Index.** The index seeks to emphasize exposure to equities, maximizing opportunities for long-term capital accumulation.

*Please refer to Index Construction for details on each index's allocation to equity and fixed income.*

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

## Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>

# Eligibility Criteria

## Eligibility Factors

The index series is comprised exclusively of exchange-traded funds (ETFs). To be eligible for inclusion in the indices, an ETF must track a benchmark that is broadly representative of a major asset class and be registered as an investment company under the 1940 Investment Company Act.

**Eligible Securities.** The universe of eligible asset classes and the instruments used to represent each are:

	Asset Class	ETF	Ticker
Equities – Developed Markets	U.S. LargeCap	iShares Core S&P 500 ETF	IVV
	U.S. MidCap	iShares Core S&P Mid-Cap ETF	IJH
	U.S. SmallCap	iShares Core S&P Small-Cap ETF	IJR
	Developed Ex-U.S.	iShares Core MSCI Intl Developed Markets ETF	IDEV
Equities – Emerging Markets	Emerging Markets	iShares Core MSCI Emerging Markets ETF	IEMG
Fixed Income	Broad Market	iShares Core Total USD Bond Market ETF	IUSB
	International Aggregate Bonds	iShares Core International Aggregate Bond ETF	IAGG

# Index Construction

## Approach

At the semi-annual rebalancing in April and October, the following steps are followed to determine the weights of various component ETFs representing the various asset and sub-asset classes.

1. The equity and fixed income weights are pre-determined for each index as indicated in the table below.

Allocation to Equity and Fixed Income		
Index	Equity	Fixed Income
Conservative	30%	70%
Moderate	40%	60%
Growth	60%	40%
Aggressive	80%	20%

2. The determination of the weights of the instruments representing the various asset classes is done based on a review of the relative market capitalization of certain benchmark indices as of the rebalancing reference date. These indices are represented in the table below.

Asset Class	Reference Index	Target Risk Index Constituent
Equity	S&P 500 <sup>®</sup>	iShares Core S&P 500 ETF
	S&P MidCap 400 <sup>®</sup>	iShares Core S&P Mid-Cap ETF
	S&P SmallCap 600 <sup>®</sup>	iShares Core S&P Small-Cap ETF
	S&P Developed Ex-U.S. BMI <sup>1</sup>	iShares Core MSCI Intl Developed Markets ETF
	S&P Emerging BMI <sup>1</sup>	iShares Core MSCI Emerging Markets ETF
Fixed Income	<i>See step (d) below</i>	iShares Core Total USD Bond Market ETF
		iShares Core International Aggregate Bond ETF

The following steps are then taken to determine weights for each constituent:

- a. The float-adjusted market capitalization of the U.S. dollar versions of the S&P Developed BMI and S&P Emerging BMI are used to determine the relative weighting of the developed and emerging market allocations to the equity sleeve of each index.
- b. Within developed markets, the relative weighting of the U.S. market is determined based on the relative proportions of the float-adjusted market capitalization of the U.S. dollar versions of the S&P United States BMI, and S&P Developed Ex-U.S. BMI within the S&P Developed BMI.
- c. The weight of the U.S. market determined in step (b) is split among the capitalization sizes (large, mid, and small) in relative proportion of the float-adjusted market capitalization of the S&P 500, S&P MidCap 400, and S&P SmallCap 600.
- d. Finally, 85% of the total fixed income allocation within each index is allocated to the iShares Core Total USD Bond Market ETF (IUSB) with the remaining 15% allocated to the iShares Core International Aggregate Bond ETF (IAGG).

<sup>1</sup> U.S. dollar version

# Index Maintenance

## Rebalancing

The index series is rebalanced semi-annually after the market close on the last business day of April and October. Reference data used in the rebalancing is as of the last business day of March and September, respectively. The reference date for pricing is five business days prior to the rebalancing. As part of the rebalancing process, the weights of the various asset class components are determined based on the asset class weights in the benchmarks as described in *Index Construction*.

Index constituents are not expected to change between rebalancing periods. If, for any reason beyond S&P Dow Jones Indices' control, a constituent is discontinued or substantially changed in terms of its investment mandate, the Index Committee may elect to discontinue representation of the affected asset class within the index series or designate a successor fund.

**Additions.** ETFs may be added to the index series to improve its overall representation or investability, such additions being undertaken during the rebalancing period. Other additions, such as those made to replace deleted constituents, may be undertaken in between rebalancing intervals at S&P Dow Jones Indices' discretion.

**Deletions.** An ETF may be removed from the index series, at S&P Dow Jones Indices' discretion, if it fails to offer acceptable tracking of its benchmark, if for any other reason it ceases to function as a reasonable proxy for its benchmark, or in the event of a material event that impairs the operating ability of the fund or its management company.

## Corporate Actions

Corporate Action	Adjustment Made to Index	Divisor Adjustment?
ETF Share Split	Index shares are multiplied by and price is divided by the split factor.	No
Special Dividends	The price of the ETF making the special dividend is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Delisting	The delisted ETF is replaced with an ETF in same asset class, as determined by the Index Committee.	Yes

*For more information, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

## Currency, Currency Hedged, and Risk Control Indices

The indices are calculated in U.S. dollars.

Additional currency, currency hedged, and risk control versions of the index may be available. For a list of available currency, currency hedged, and risk control indices, please contact Client Services at [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

*For more information on currency, currency hedged, and risk control indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

### Base Dates and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P Target Risk Conservative Index	09/25/2008	12/31/2000	01/31/2007	100
S&P Target Risk Moderate Index	09/25/2008	12/31/2000	01/31/2007	100
S&P Target Risk Growth Index	09/25/2008	12/31/2000	01/31/2007	100
S&P Target Risk Aggressive Index	09/25/2008	12/31/2000	01/31/2007	100

All information presented prior to the index launch date is back-tested. The back-tested calculations are based on the same methodology that was in effect on the index launch date.

# Index Data

## Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“SDL”).

*For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices document.*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.*



# Index Governance

## **Index Committee**

S&P Dow Jones Indices' Americas Thematic and Strategy Index Committee maintains the index series. The Committee meets regularly. All committee members are full-time professional members of S&P Dow Jones Indices' staff. At each meeting, the Committee reviews matters that may affect index constituents, statistics comparing the composition of the indices to the market, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting constituents, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices' considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

# Index Policy

## **Holiday Schedule**

The index series is calculated on all U.S. business days.

*A complete holiday schedule for the year is available at [www.spdji.com](http://www.spdji.com).*

## **Rebalancing**

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## **Unexpected Exchange Closures**

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

## **Recalculation Policy**

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.*

## **Contact Information**

For questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

The table below lists headline indices covered by this document. All currency, currency hedged, risk control, and return type versions of the below indices that may exist are also covered by this document. Please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com) for a complete list of indices covered by this document.

Index	Bloomberg		Reuters	
	Price Return	Total Return	Price Return	Total Return
S&P Target Risk Conservative Index	SPTGCU	SPTGCUT	.SPTGCU	.SPTGCUT
S&P Target Risk Moderate Index	SPTGMU	SPTGMUT	.SPTGMU	.SPTGMUT
S&P Target Risk Growth Index	SPTGGU	SPTGGUT	.SPTGGU	.SPTGGUT
S&P Target Risk Aggressive Index	SPTGAU	SPTGAUT	.SPTGAU	.SPTGAUT

## FTP

Daily constituent and index level data are available via FTP subscription.

For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).

# Appendix

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Previous	Methodology Updated
Rebalancing Frequency	10/31/2017	The index series is rebalanced annually after the market close on the last business day of October. Reference data used in the rebalancing is as of the last business day of September.	The index series is rebalanced semi-annually after the market close on the last business day of April and October. Reference data used in the rebalancing is as of the last business day of March and September, respectively.
Eligible Equities – Developed Markets Asset Classes	10/31/2017	<ol style="list-style-type: none"> <li>1. U.S. LargeCap</li> <li>2. U.S. MidCap</li> <li>3. U.S. SmallCap</li> <li>4. Asia Pacific</li> <li>5. Europe</li> </ol>	<ol style="list-style-type: none"> <li>1. U.S. LargeCap</li> <li>2. U.S. MidCap</li> <li>3. U.S. SmallCap</li> <li>4. Developed Ex-U.S.</li> </ol>
Eligible Fixed Income Asset Classes	10/31/2017	<ol style="list-style-type: none"> <li>1. Broad Market</li> <li>2. U.S. Treasuries</li> <li>3. U.S. Investment Grade Corporates</li> <li>4. International Aggregate Bonds</li> </ol>	<ol style="list-style-type: none"> <li>1. Broad Market</li> <li>2. International Aggregate Bonds</li> </ol>
Eligible Fixed Income Asset Classes	01/29/2016	<ol style="list-style-type: none"> <li>1. Broad Market</li> <li>2. U.S. Treasuries</li> <li>3. U.S. Investment Grade Corporates</li> </ol>	<ol style="list-style-type: none"> <li>1. Broad Market</li> <li>2. U.S. Treasuries</li> <li>3. U.S. Investment Grade Corporates</li> <li>4. International Aggregate Bonds</li> </ol>
Weight Allocations	01/29/2016	Weights of the sub-indices within the fixed income sleeve are determined based on the relative weights of the S&P U.S. Aggregate Bond Index, S&P U.S. Treasury Bond Index, and S&P U.S. Investment Grade Corporate Bond Index.	Weights of the sub-indices within the fixed income sleeve are determined based on the relative weights of the market value of the S&P U.S. Aggregate Bond Index, S&P U.S. Treasury Bond Index, and S&P U.S. Investment Grade Corporate Bond Index. 15% of the total fixed income allocation within each index is allocated to the iShares Core International Aggregate Bond ETF (IAGG).

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