S&P Target Risk Index Series
Methodology

January 2015

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Introduction

Highlights

S&P Dow Jones Indices' Target Risk Index Series is comprised of four multi-asset class indices, each corresponding to a particular risk level. Like the S&P Target Date Index Series, the asset class mix is determined once a year through a process designed to reflect the overall investment opportunity of the represented markets. 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. It may include small allocations in fixed income to enhance portfolio efficiency.

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.

Eligibility Criteria

Eligibility Factors

The index is comprised exclusively of exchange-traded funds (ETFs). To be eligible for inclusion in the index, 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. After the close of January 30, 2015, 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
	Asia Pacific	iShares Core MSCI Pacific ETF	IPAC
	Europe	iShares Core MSCI Europe ETF	IEUR
Equities – Emerging Markets	Emerging Markets	iShares Core MSCI Emerging Markets ETF	IEMG
Fixed Income	Broad Market	iShares Core Total USD Bond Market ETF	IUSB
	U.S. Treasuries	iShares Core U.S. Treasury Bond ETF	GOVT
	U.S. Investment Grade Corporates	iShares Core U.S. Credit Bond ETF	CRED

Timing of Changes

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 or designate a successor fund.

Additions. ETFs may be added to the index 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, 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.

Index Construction

Approach

At the annual rebalancing in October, the following steps are followed to determine the weights of various component ETF's 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®	iShares Core S&P 500 ETF
Equity	S&P MidCap 400®	iShares Core S&P Mid-Cap ETF
Equity	S&P SmallCap 600®	iShares Core S&P Small-Cap ETF
Equity	S&P Asia Pacific BMI*	iShares Core MSCI Pacific ETF
Equity	S&P Europe BMI*	iShares Core MSCI Europe ETF
Equity	S&P Emerging BMI*	iShares Core MSCI Emerging Markets ETF
Fixed Income	S&P U.S. Aggregate Bond Index	iShares Core Total USD Bond Market ETF
Fixed Income	S&P/BGCantor U.S. Treasury Bond Index	iShares Core U.S. Treasury Bond ETF
Fixed Income	S&P U.S. Investment Grade Corporate Bond Index	iShares Core U.S. Credit Bond ETF

* U.S. dollar version

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., Europe, and Asia Pacific markets 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, S&P Europe BMI, and S&P Asia Pacific 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, the 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/BGCantor U.S. Treasury Bond Index, and S&P U.S. Investment Grade Corporate Bond Index.

Index Maintenance

Rebalancing

The index 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 reference date for pricing is one week 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*.

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 located on our Web site, www.spdji.com.

History

The initial divisor is set to have a base index value of 100 as of January 31, 2007. Historic index levels are available from December 31, 2000. All information presented prior to the index inception date is back-tested. The back-tested calculations are based on the same methodology that was in effect on the index inception date.

Index Data

Total Return Index

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date.

For more information on the tax rates used in the calculation of net return indices, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Please refer to the S&P Dow Jones Indices' Index Mathematics Methodology for more information on total return calculations.

Index Governance

Index Committee

The Americas Thematic and Strategy Index Committee maintains the S&P Target Risk Index Series. The Committee meets regularly. 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.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Policy

Holiday Schedule

The S&P Target Risk Index Series is calculated on all U.S. business days.

A complete holiday schedule for the year is available at www.spdji.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P Dow Jones Indices will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each security before the exchange closed. If an exchange fails to open due to unforeseen circumstances, S&P Dow Jones Indices treats this closure as a standard market holiday. The index will use the prior day's closing prices and shifts any corporate actions to the following business day. If all exchanges fail to open or in other extreme circumstances, S&P Dow Jones Indices may determine not to publish the index for that day.

For further information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Recalculation Policy

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Incorrect or revised closing price
2. Missed corporate event
3. Late announcement of a corporate event
4. Incorrect application of corporate action or index methodology

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

For more information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

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 located on our Web site, www.spdji.com.

Index Dissemination

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

Tickers

Index	Bloomberg Price Return	Bloomberg Total Return	Reuters Price Return	Reuters 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 stock level and index data are available via FTP subscription.

For product information, please contact S&P Dow Jones Indices, www.spdji.com/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

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