

S&P Target Date Scorecard

Contributors

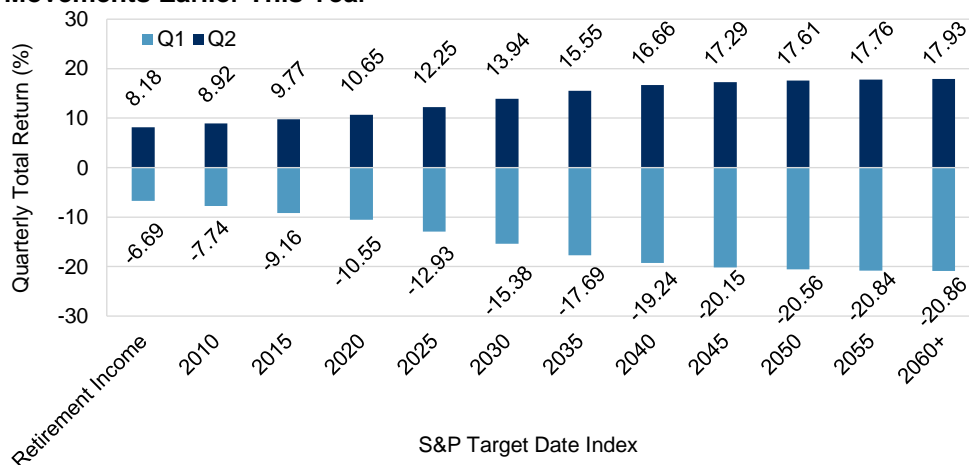
Hamish Preston
Associate Director
U.S. Equity Indices
hamish.preston@spglobal.com

Adrián Carranza Araujo
Senior Specialist
Global Equity Indices
adrian.carranza@spglobal.com

SUMMARY

- The S&P Target Date® Scorecard provides performance comparisons and analytics covering the U.S. target date fund (TDF) universe.
- **The S&P Target Date Index Series offers representative benchmarks for TDFs.** The series is investable, comprises consensus-derived asset allocation weights, and its composition is known in advance of evaluation periods.
- The first half of 2020 saw sizeable swings as the market reacted to COVID-19. After we said goodbye to the longest ever bull market in March, U.S. equities hosted a tremendous rally in Q2: the [S&P 500®](#) (up 21%) posted its best quarterly total return since 1998.
- **Higher equity allocations made far-dated S&P Target Date Indices more sensitive to equity market movements.** Indeed, Exhibit 1 shows that far-dated indices experienced greater drawdowns during Q1 2020 but also posted stronger returns in Q2.
- Overall, nearer-dated S&P Target Date Indices outperformed their longer-dated counterparts in the first half of 2020. However, higher allocations to U.S. large caps helped far-dated indices to outperform over longer horizons: the S&P 500 posted the highest returns of any S&P Target Date Index component over three- and five-year horizons.

Exhibit 1: Far-Dated S&P Target Date Indices Were More Sensitive to Market Movements Earlier This Year



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2019 to June 30, 2020. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

- Given that **S&P Target Date Indices are designed to embody market consensus asset allocations**, it is unsurprising that, on average, nearer-dated TDFs outperformed their longer-dated counterparts during the first half of 2020. The opposite was true over longer horizons.
- **In a continuation of a recent trend, larger TDFs outperformed their smaller counterparts;** asset-weighted returns were higher than equal-weighted for all but the 2010 category over the six-month, one-year and three-year horizons. Asset-weighted returns were higher in all categories over the five-year horizon.
- **S&P Dow Jones Indices also produces S&P Target Date Style Indices.** The “TO” style indices aim to mitigate the impact of market drawdowns around the expected retirement date, while the “THROUGH” style indices aim to negate longevity risk—the risk of outliving one’s assets in retirement. Hence, THROUGH style indices have higher equity allocations than TO indices.
- **The relative returns of TO versus THROUGH indices in the first half of 2020 and over the one-year horizon typically *decreased* as the time to the assumed retirement date *increased*.** This reflects the fact that near-dated TO indices, with much lower equity allocations than their THROUGH counterparts, were more insulated against market drawdowns earlier this year. In contrast, smaller differences in equity allocations between far-dated TO and THROUGH indices meant both styles were similarly impacted during Q1 2020. Far-dated THROUGH indices then benefitted more from the substantial equity market recovery in Q2 2020.
- **THROUGH style indices posted higher returns than their TO counterparts over three- and five-year horizons, while TO style indices posted lower volatility.** Such volatility reduction helped near-dated TO style indices to post higher risk-adjusted returns than their THROUGH counterparts. The opposite was true for far-dated style indices: higher returns helped far-dated THROUGH style indices to post higher risk-adjusted returns than their TO counterparts.

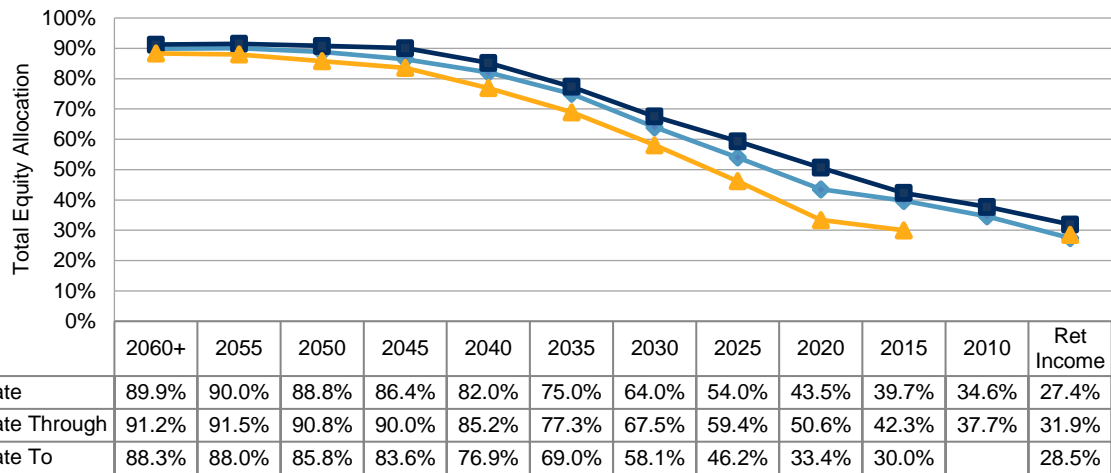
A UNIQUE SCORECARD FOR THE TARGET DATE UNIVERSE

The S&P Target Date Scorecard presents the performance of TDFs as compared to appropriate benchmark indices. We consider all target date asset allocation policies to be active decisions, so we include funds that use passive underlying investments as well as active underlying investments. The scorecard covers target dates from retirement income to 2060 and beyond, and it has the following unique features.

- **A Representative Target Date Benchmark:** The S&P Target Date Index¹ is the only consensus-driven target date benchmark offered by an independent index provider. Its asset class exposure and glide path are functions of market observations acquired from an annual survey of target date managers. The index currently includes target dates from retirement income through 2060+. The S&P Target Date To Retirement Income and the S&P Target Date Through Retirement Income Index Series were launched in January 2015, and performance is incorporated as accumulated history becomes available.
- **Apples-to-Apples Comparison:** Target date fund returns are sometimes compared to popular asset class benchmarks such as the S&P 500® or Bloomberg Barclays U.S. Aggregate Bond Index. The S&P Target Date Scorecard avoids this pitfall by measuring a fund's returns against the returns of the benchmark that is most appropriate for each target date category.
- **Asset Allocation Risk Revealed:** Sometimes custom, multi-asset class benchmarks are used for comparison purposes. However, these benchmarks do not measure asset allocation risk, as they are typically set with asset class exposure selected by fund managers. They also may lack transparency with respect to the method behind their calculation and may not be adjusted for changes in asset allocation policy over time. The report avoids these problems by referencing our consensus-driven target date benchmark that provides a representative proxy of asset allocation risk for each target date vintage.
- **Asset-Weighted Returns:** Average returns for a fund group are often calculated using only equal weighting, which results in the returns of a USD 10 billion fund affecting the average in the same manner as the returns of a USD 10 million fund. An accurate representation of how market participants fared in a particular period can be better ascertained by calculating weighted-average returns, in which each fund's return is weighted by net assets. The S&P Target Date Scorecard shows both equal- and asset-weighted averages. Additionally, we now use all share classes to calculate average TDF returns and performance quartiles.
- **Data Cleaning:** Appropriate peer groups are built from underlying databases so meaningful benchmark comparisons may be performed. TDFs with vintages of 2060 or beyond are compared with the [S&P Target Date 2060+ Index](#). TDFs with vintages that have already passed, such as 2005, are compared with the [S&P Target Date Retirement Income Index](#). Average TDF returns, both equal-weighted and asset-weighted, are calculated using all share classes within each fund family in order to represent the aggregate experience of TDF shareholders. The S&P Target Date Scorecard offers the only comprehensive, periodic, and publicly available source of such data. Reports are available at <https://www.spglobal.com/spdji>.

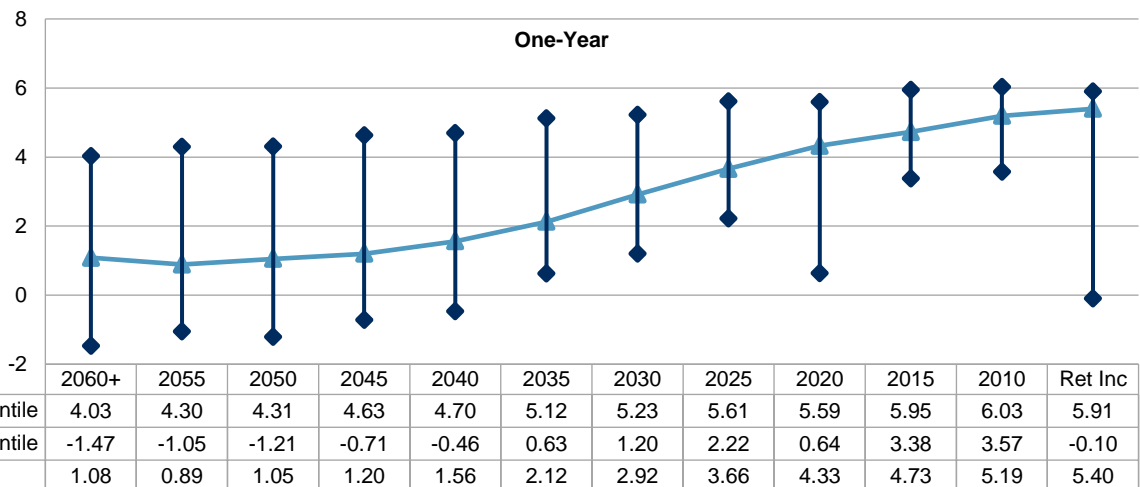
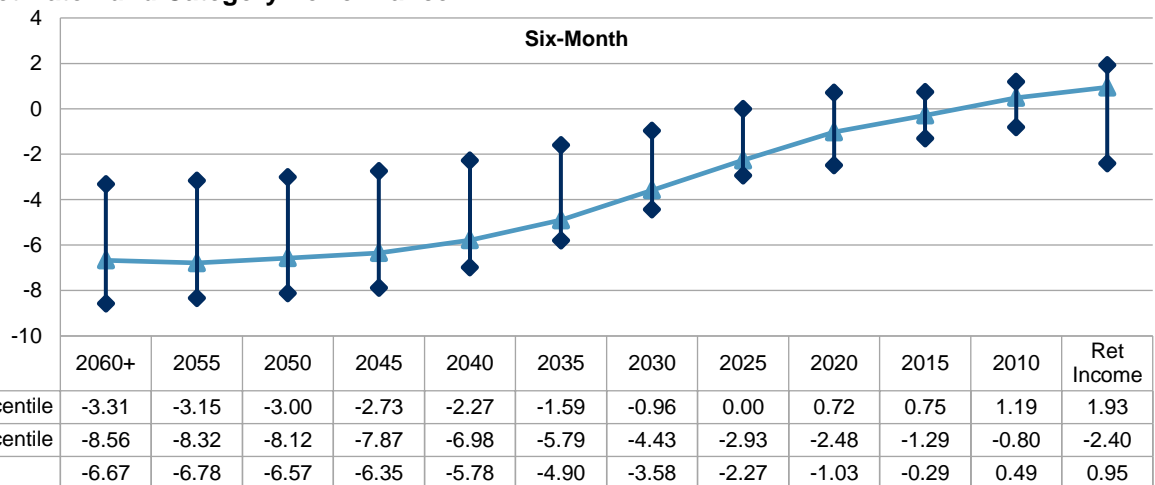
¹ It is not possible to invest directly in an index. Indices are statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance.

Report 1: S&P Target Date Benchmark Glide Path – Total Equity Allocation



Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Chart is provided for illustrative purposes. Past performance is no guarantee of future results. The S&P Target Date To 2010 was discontinued effective June 5, 2016.

Report 2: Target Date Fund Category Performance



Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Charts are provided for illustrative purposes. Past performance is no guarantee of future results.

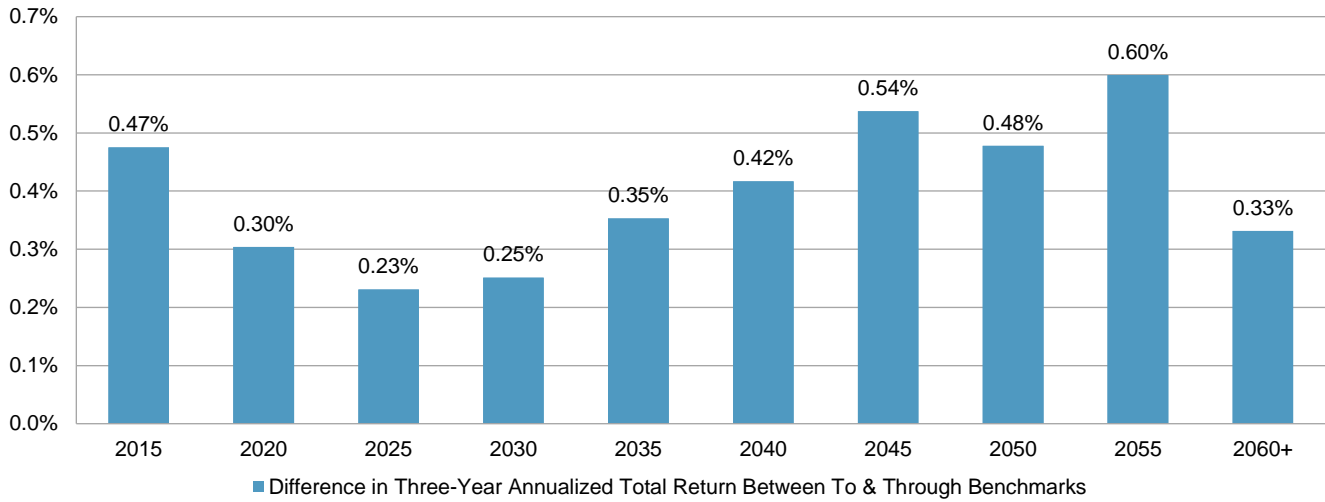
| Report 3: Average Target Date Fund Performance | | | | |
|---|----------------------|---------------------|-----------------------------------|----------------------------------|
| CATEGORY | SIX-MONTH (%) | ONE-YEAR (%) | THREE-YEAR (ANNUALIZED, %) | FIVE-YEAR (ANNUALIZED, %) |
| Ret Income TDFs (equal weighted) | -0.09 | 3.74 | 4.33 | 4.10 |
| Ret Income TDFs (asset weighted) | 0.59 | 4.75 | 4.86 | 4.48 |
| S&P Target Date Ret Income | 0.95 | 5.40 | 5.17 | 4.70 |
| S&P Target Date To Ret Income | 1.07 | 5.47 | 5.14 | 4.44 |
| S&P Target Date Through Ret Income | 0.74 | 5.36 | 5.25 | 4.79 |
| 2010 TDFs (EW) | 0.14 | 4.59 | 5.01 | 4.86 |
| 2010 TDFs (AW) | -0.09 | 4.48 | 4.99 | 4.93 |
| S&P Target Date 2010 | 0.49 | 5.19 | 5.29 | 5.01 |
| S&P Target Date To 2010 | - | - | - | - |
| S&P Target Date Through 2010 | 0.00 | 4.91 | 5.36 | 5.14 |
| 2015 TDFs (EW) | -0.59 | 4.21 | 5.10 | 5.02 |
| 2015 TDFs (AW) | -0.42 | 4.57 | 5.33 | 5.31 |
| S&P Target Date 2015 | -0.29 | 4.73 | 5.35 | 5.30 |
| S&P Target Date To 2015 | 1.26 | 5.49 | 5.08 | 4.93 |
| S&P Target Date Through 2015 | -0.61 | 4.65 | 5.56 | 5.53 |
| 2020 TDFs (EW) | -0.96 | 3.76 | 4.99 | 4.91 |
| 2020 TDFs (AW) | -0.73 | 4.57 | 5.59 | 5.50 |
| S&P Target Date 2020 | -1.03 | 4.33 | 5.45 | 5.56 |
| S&P Target Date To 2020 | 0.35 | 4.92 | 5.27 | 5.27 |
| S&P Target Date Through 2020 | -1.90 | 3.99 | 5.58 | 5.78 |
| 2025 TDFs (EW) | -1.70 | 3.80 | 5.45 | 5.43 |
| 2025 TDFs (AW) | -0.91 | 5.03 | 6.09 | 6.00 |
| S&P Target Date 2025 | -2.27 | 3.66 | 5.57 | 5.82 |
| S&P Target Date To 2025 | -1.22 | 4.14 | 5.38 | 5.54 |
| S&P Target Date Through 2025 | -3.08 | 3.29 | 5.61 | 6.01 |
| 2030 TDFs (EW) | -2.70 | 3.31 | 5.62 | 5.70 |
| 2030 TDFs (AW) | -1.96 | 4.62 | 6.39 | 6.33 |
| S&P Target Date 2030 | -3.58 | 2.92 | 5.62 | 6.02 |
| S&P Target Date To 2030 | -2.67 | 3.29 | 5.44 | 5.76 |
| S&P Target Date Through 2030 | -4.38 | 2.57 | 5.69 | 6.26 |

Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. "EW" indicates equal weighted. "AW" represents asset weighted. Table is provided for illustrative purposes. Past performance is no guarantee of future results. See Glossary for more information.

| Report 3: Average Target Date Fund Performance (cont.) | | | | |
|---|----------------------|---------------------|---------------------------------------|--------------------------------------|
| CATEGORY | SIX-MONTH (%) | ONE-YEAR (%) | THREE-YEAR (ANNUALIZED, %) | FIVE-YEAR (ANNUALIZED, %) |
| 2035 TDFs (EW) | -3.71 | 3.03 | 5.85 | 6.01 |
| 2035 TDFs (AW) | -2.89 | 4.49 | 6.67 | 6.68 |
| S&P Target Date 2035 | -4.90 | 2.12 | 5.61 | 6.17 |
| S&P Target Date To 2035 | -4.17 | 2.38 | 5.40 | 5.82 |
| S&P Target Date Through 2035 | -5.38 | 1.95 | 5.75 | 6.42 |
| 2040 TDFs (EW) | -4.70 | 2.28 | 5.70 | 6.01 |
| 2040 TDFs (AW) | -3.72 | 3.98 | 6.67 | 6.72 |
| S&P Target Date 2040 | -5.78 | 1.56 | 5.61 | 6.28 |
| S&P Target Date To 2040 | -5.64 | 1.31 | 5.33 | 5.93 |
| S&P Target Date Through 2040 | -6.17 | 1.45 | 5.75 | 6.52 |
| 2045 TDFs (EW) | -5.39 | 2.00 | 5.76 | 6.12 |
| 2045 TDFs (AW) | -3.96 | 3.94 | 6.72 | 6.84 |
| S&P Target Date 2045 | -6.35 | 1.20 | 5.56 | 6.34 |
| S&P Target Date To 2045 | -6.72 | 0.53 | 5.17 | 5.93 |
| S&P Target Date Through 2045 | -6.52 | 1.26 | 5.71 | 6.55 |
| 2050 TDFs (EW) | -5.63 | 1.71 | 5.66 | 6.09 |
| 2050 TDFs (AW) | -4.05 | 3.90 | 6.76 | 6.82 |
| S&P Target Date 2050 | -6.57 | 1.05 | 5.57 | 6.42 |
| S&P Target Date To 2050 | -6.68 | 0.67 | 5.28 | 6.07 |
| S&P Target Date Through 2050 | -6.55 | 1.25 | 5.76 | 6.61 |
| 2055 TDFs (EW) | -5.75 | 1.77 | 5.75 | 6.17 |
| 2055 TDFs (AW) | -3.97 | 4.02 | 6.82 | 6.95 |
| S&P Target Date 2055 | -6.78 | 0.89 | 5.54 | 6.45 |
| S&P Target Date To 2055 | -7.25 | 0.11 | 5.12 | 6.03 |
| S&P Target Date Through 2055 | -6.66 | 1.17 | 5.72 | 6.59 |
| 2060+ TDFs (EW) | -6.04 | 1.56 | 5.75 | 6.20 |
| 2060+ TDFs (AW) | -3.78 | 4.25 | 7.02 | 6.98 |
| S&P Target Date 2060+ | -6.67 | 1.08 | 5.71 | 6.58 |
| S&P Target Date To 2060+ | -6.76 | 0.79 | 5.45 | 6.34 |
| S&P Target Date Through 2060+ | -6.61 | 1.23 | 5.79 | 6.63 |

Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. "EW" indicates equal weighted. "AW" represents asset weighted. Table is provided for illustrative purposes. Past performance is no guarantee of future results. See Glossary for more information.

Report 4: Difference in Three-Year Total Return Indices (THROUGH Minus TO) by Vintage



Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 5: Quartile Breakpoints of Target Date Funds

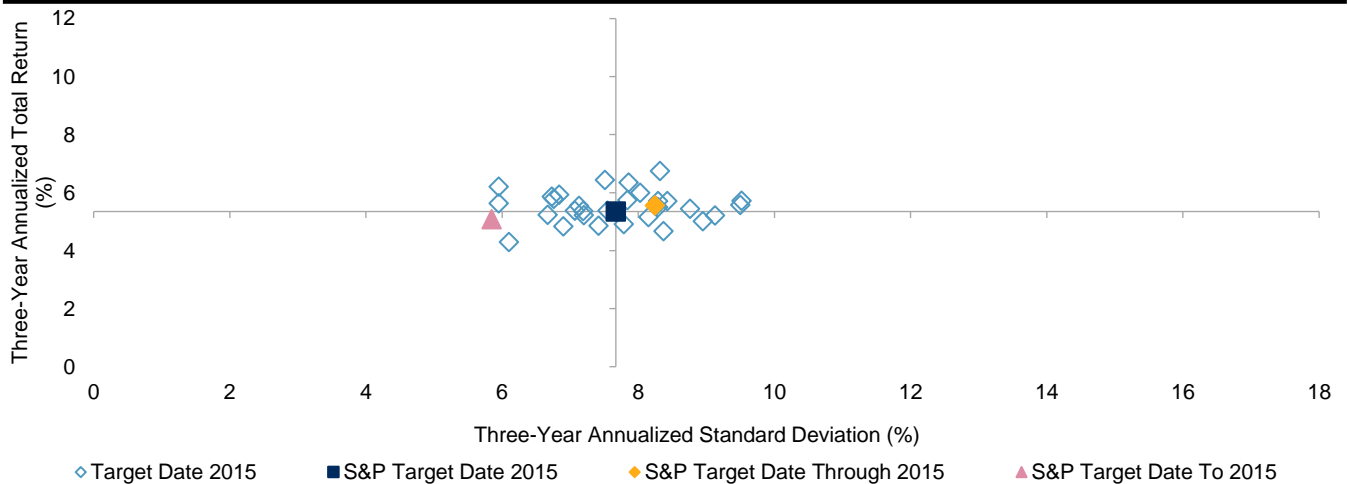
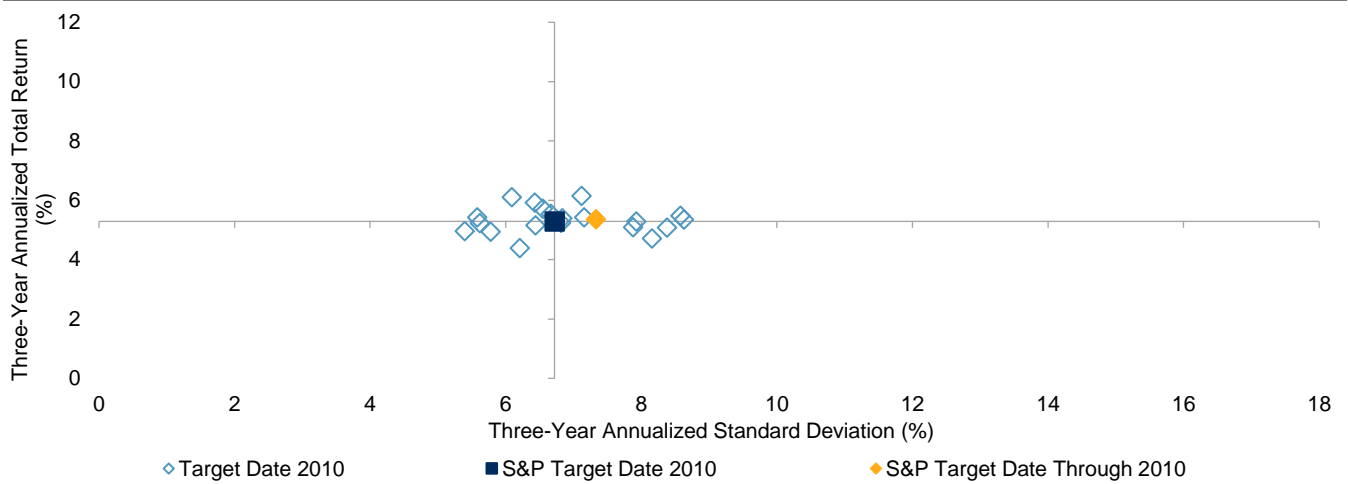
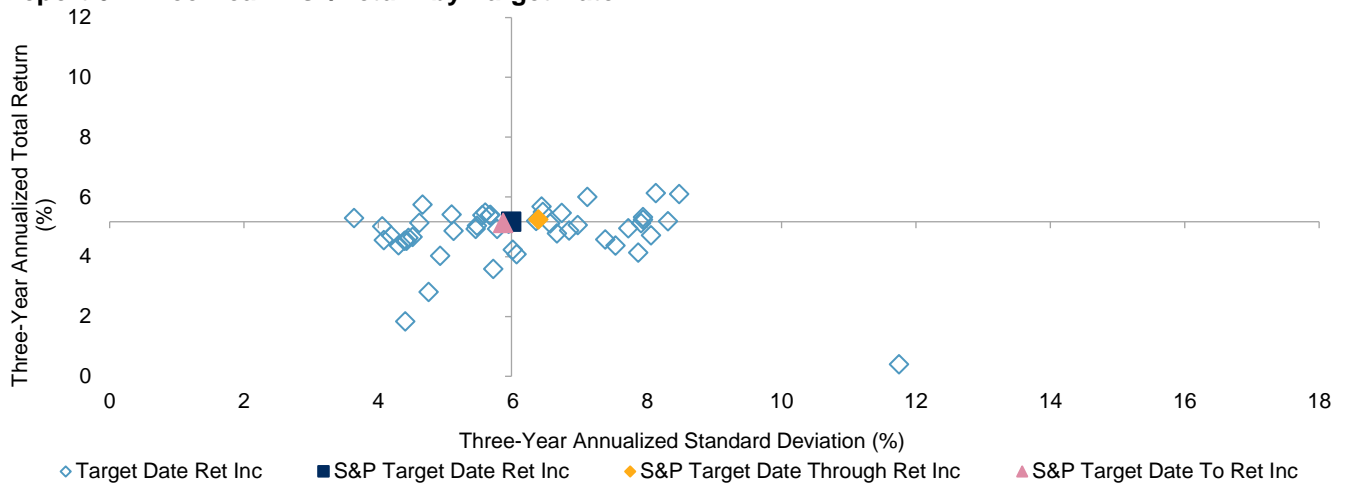
| FUND CATEGORY | THIRD QUARTILE | SECOND QUARTILE | FIRST QUARTILE |
|------------------|----------------|-----------------|----------------|
| SIX-MONTH | | | |
| Ret Income | 1.49 | 0.55 | -0.85 |
| Target 2010 | 0.76 | 0.01 | -0.49 |
| Target 2015 | 0.20 | -0.65 | -0.97 |
| Target 2020 | -0.01 | -0.99 | -1.71 |
| Target 2025 | -0.92 | -1.86 | -2.41 |
| Target 2030 | -1.90 | -2.96 | -3.72 |
| Target 2035 | -2.67 | -3.71 | -5.08 |
| Target 2040 | -3.51 | -4.83 | -6.23 |
| Target 2045 | -4.23 | -5.49 | -7.08 |
| Target 2050 | -4.37 | -5.71 | -7.27 |
| Target 2055 | -4.45 | -5.90 | -7.24 |
| Target 2060+ | -4.80 | -6.03 | -7.36 |
| ONE-YEAR | | | |
| Ret Income | 5.09 | 4.54 | 3.19 |
| Target 2010 | 4.94 | 4.58 | 3.99 |
| Target 2015 | 4.86 | 4.33 | 3.71 |
| Target 2020 | 4.78 | 4.20 | 3.16 |
| Target 2025 | 4.76 | 3.92 | 2.82 |
| Target 2030 | 4.35 | 3.57 | 2.11 |
| Target 2035 | 3.88 | 3.15 | 1.43 |
| Target 2040 | 3.46 | 2.52 | 0.51 |
| Target 2045 | 3.29 | 2.11 | 0.17 |
| Target 2050 | 3.16 | 1.71 | -0.04 |
| Target 2055 | 3.22 | 1.75 | 0.09 |
| Target 2060+ | 3.04 | 1.76 | -0.05 |

Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

| Report 5: Quartile Breakpoints of Target Date Funds (cont.) | | | |
|--|-----------------------|------------------------|-----------------------|
| FUND CATEGORY | THIRD QUARTILE | SECOND QUARTILE | FIRST QUARTILE |
| THREE-YEAR | | | |
| Ret Income | 5.02 | 4.61 | 4.13 |
| Target 2010 | 5.37 | 5.01 | 4.70 |
| Target 2015 | 5.54 | 5.22 | 4.83 |
| Target 2020 | 5.66 | 5.20 | 4.68 |
| Target 2025 | 6.00 | 5.55 | 4.98 |
| Target 2030 | 6.23 | 5.68 | 5.06 |
| Target 2035 | 6.33 | 5.85 | 5.16 |
| Target 2040 | 6.33 | 5.78 | 4.98 |
| Target 2045 | 6.32 | 5.75 | 4.91 |
| Target 2050 | 6.27 | 5.64 | 4.81 |
| Target 2055 | 6.32 | 5.71 | 4.89 |
| Target 2060+ | 6.37 | 5.80 | 4.97 |
| FIVE-YEAR | | | |
| Ret Income | 4.67 | 4.32 | 3.68 |
| Target 2010 | 5.26 | 4.99 | 4.53 |
| Target 2015 | 5.47 | 5.18 | 4.77 |
| Target 2020 | 5.55 | 5.18 | 4.62 |
| Target 2025 | 5.94 | 5.55 | 5.06 |
| Target 2030 | 6.33 | 5.81 | 5.28 |
| Target 2035 | 6.57 | 5.99 | 5.44 |
| Target 2040 | 6.65 | 6.09 | 5.41 |
| Target 2045 | 6.74 | 6.11 | 5.52 |
| Target 2050 | 6.74 | 6.11 | 5.40 |
| Target 2055 | 6.74 | 6.16 | 5.50 |
| Target 2060+ | 7.25 | 6.61 | 5.82 |

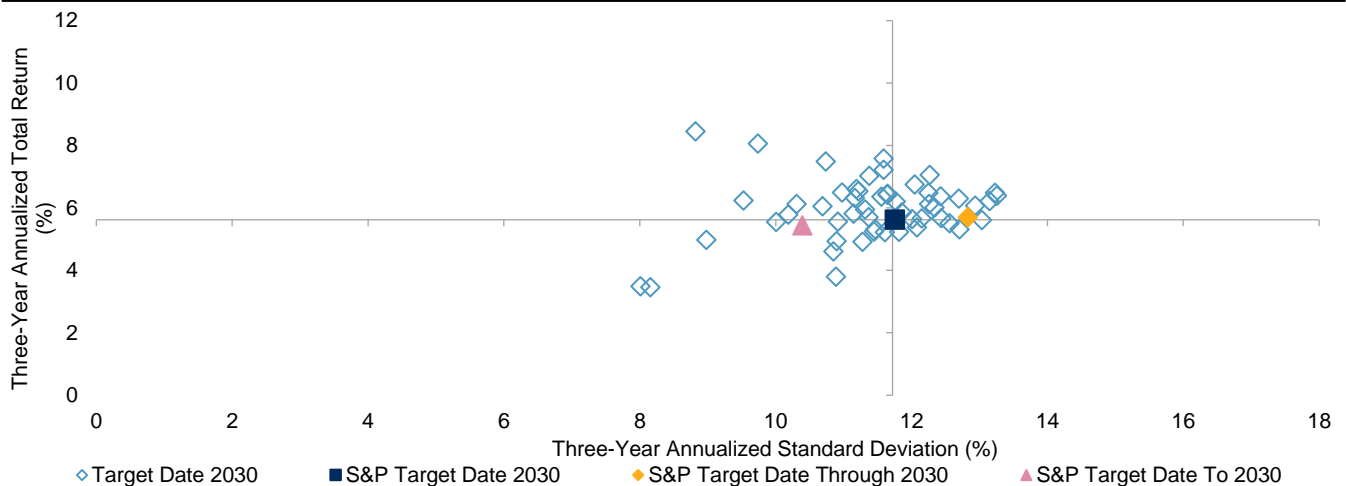
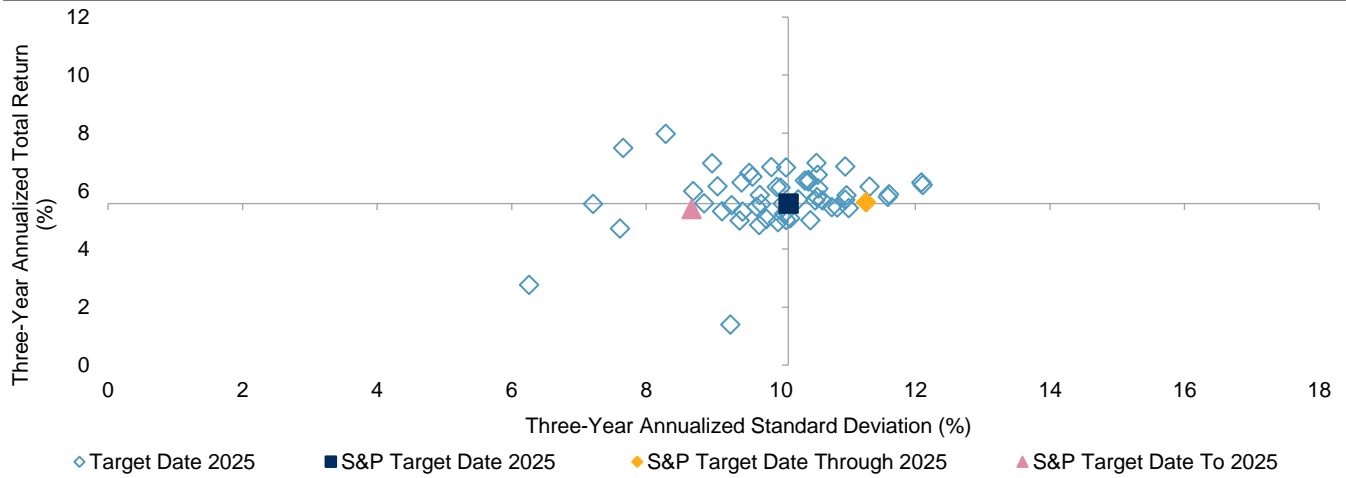
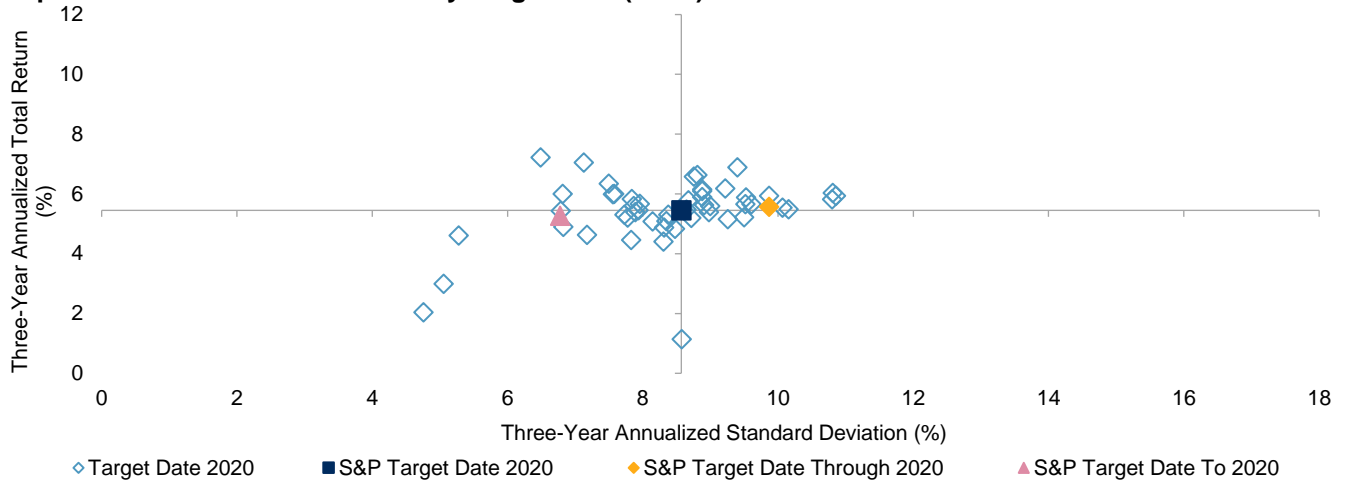
Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Table is provided for illustrative purposes. Past performance is no guarantee of future results.

Report 6: Three-Year Risk/Return by Target Date



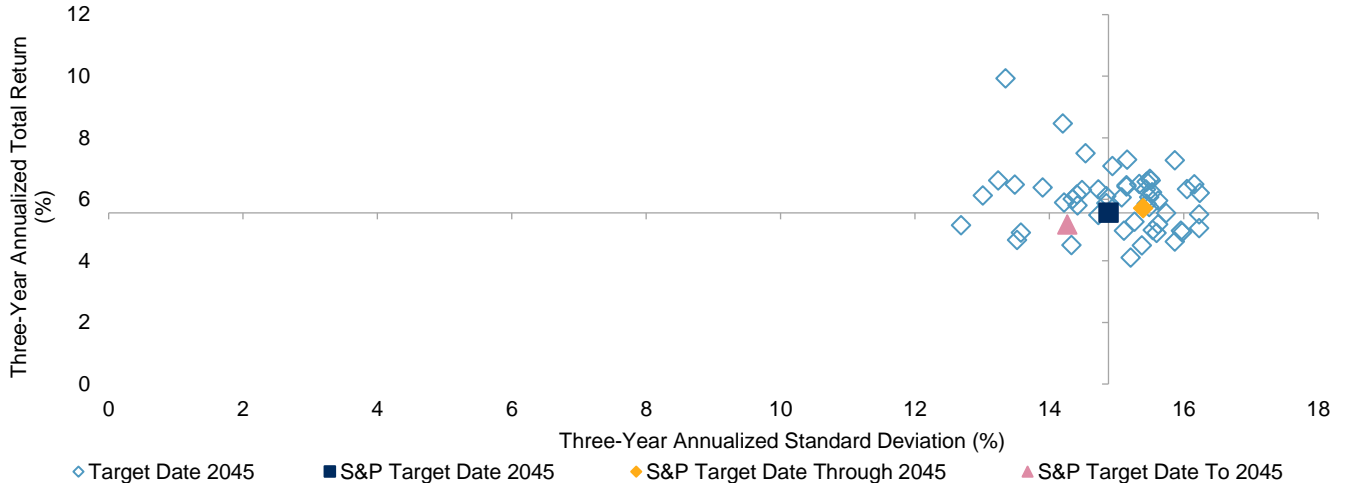
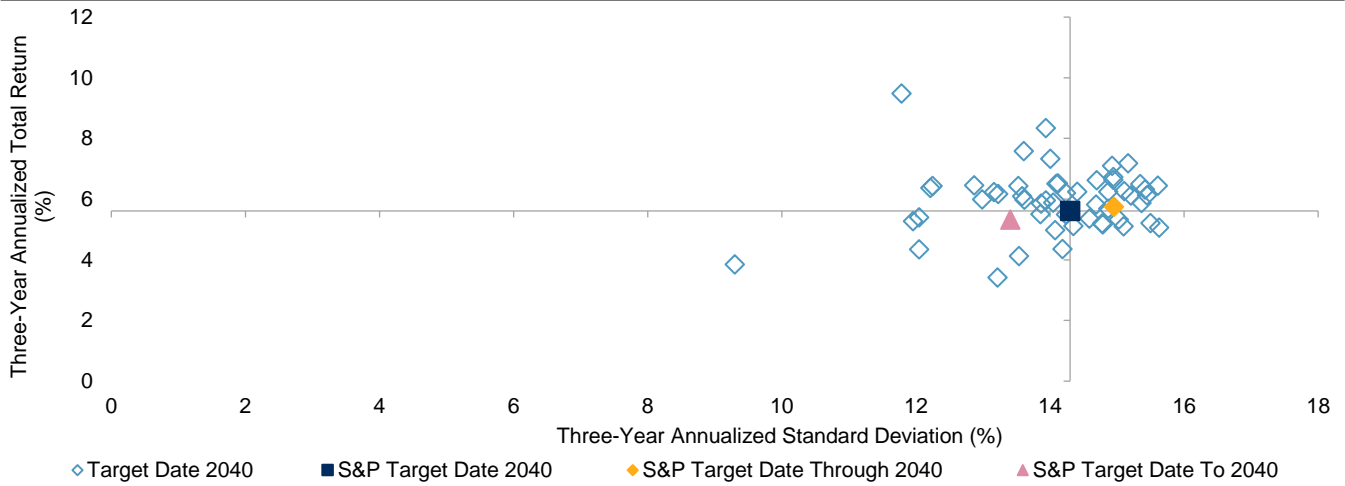
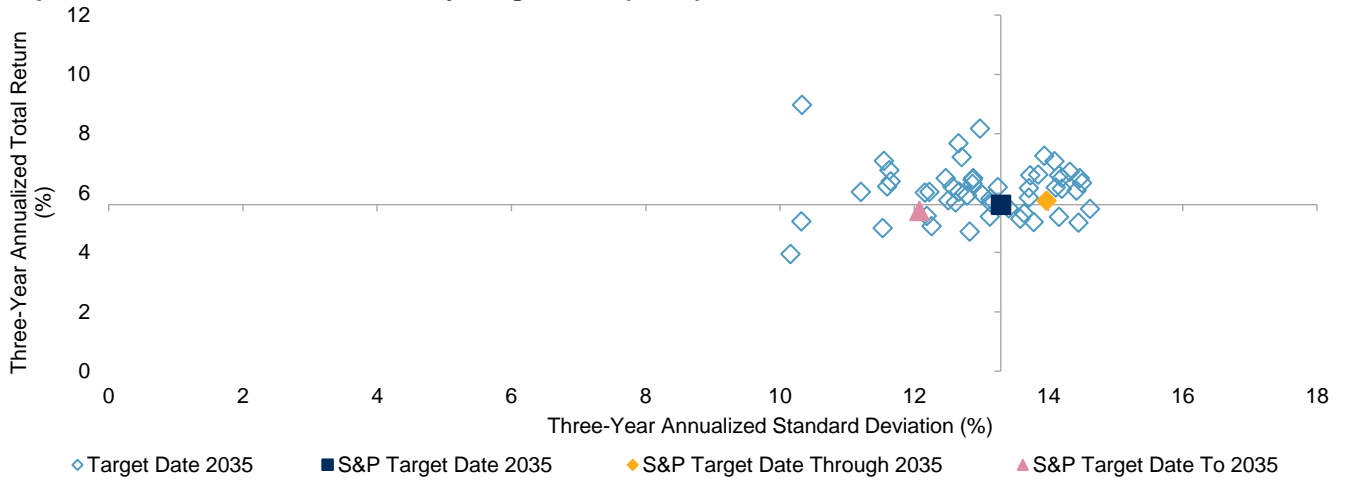
Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Charts are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 6: Three-Year Risk/Return by Target Date (cont.)



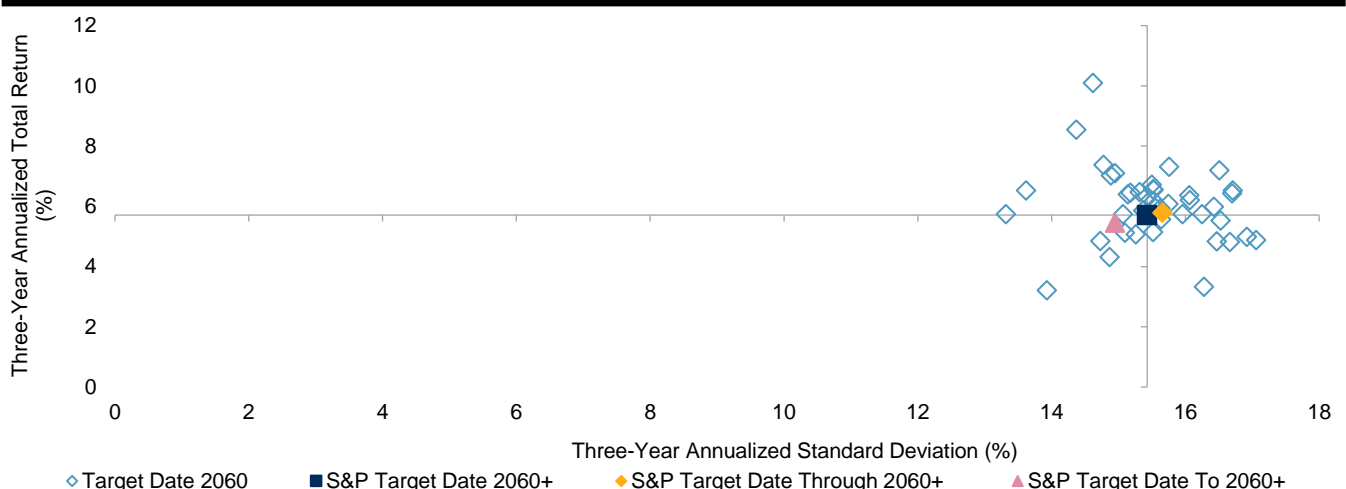
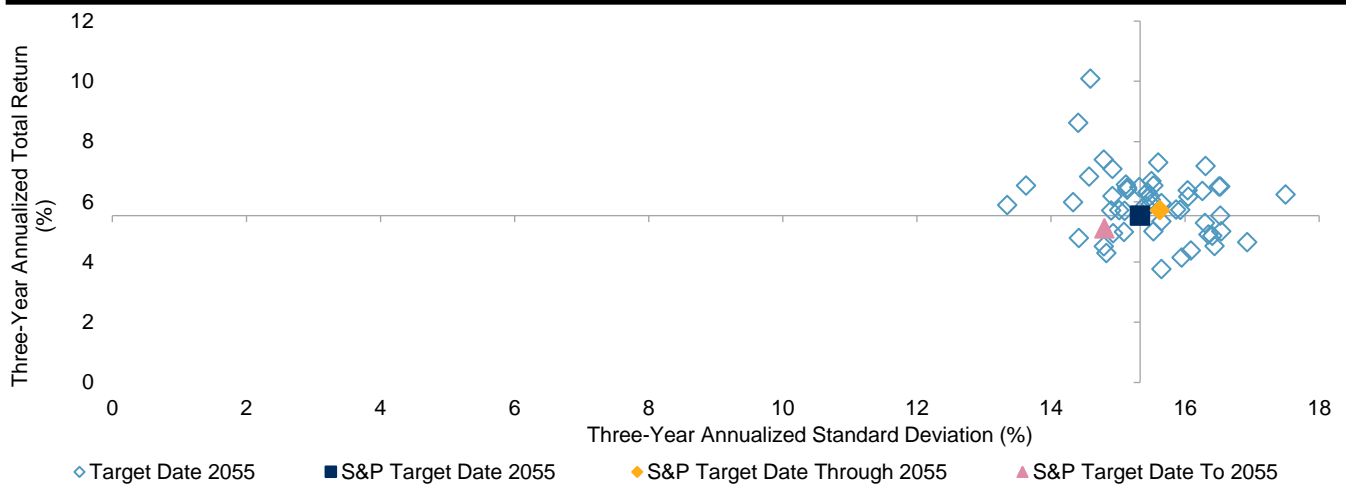
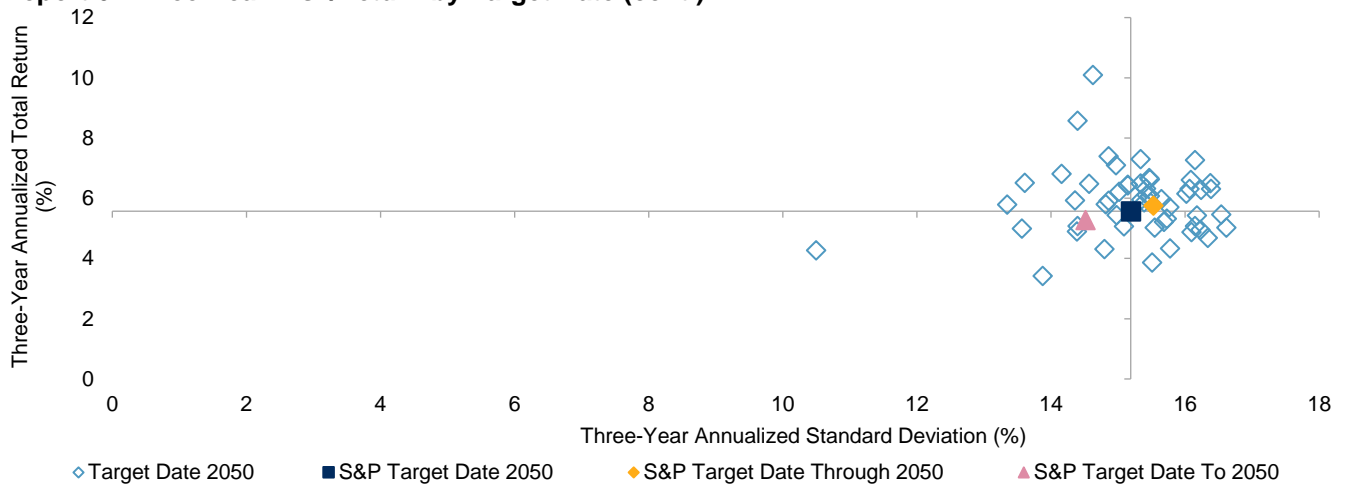
Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Charts are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 6: Three-Year Risk/Return by Target Date (cont.)



Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Charts are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 6: Three-Year Risk/Return by Target Date (cont.)



Source: S&P Dow Jones Indices LLC, Morningstar Direct. Data as of June 30, 2020. Charts are provided for illustrative purposes. Past performance is no guarantee of future results.

GLOSSARY

Equal-Weighted (EW) Average TDF Performance

Equal-weighted returns for a particular style category are determined by calculating a simple average return of all active share classes in that category in a specific month. The effects of sales charges, or loads, are not included.

Asset-Weighted (AW) Average TDF Performance

Asset-weighted returns for a particular style category are determined by calculating a weighted average return of all funds in that category in a specific month, with each fund's return weighted by its total net assets. The effects of sales charges, or loads, are not included.

Quartiles Breakpoints

The p^{th} percentile for a set of data is the value that is greater than or equal to $p\%$ of the data but less than or equal to $(100 - p)\%$ of the data. In other words, it is a value that divides the data into two parts: the lower $p\%$ of the values and the upper $(100 - p)\%$ of the values. The first quartile is the 75th percentile, meaning it is the value separating the elements of a population into the lower 75% and the upper 25%. The second quartile is the 50th percentile and the third quartile is the 25th percentile. Returns of all share classes, excluding loads, are used to calculate TDF category quartiles for specific time periods.

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