

**S&P Korea & U.S. Target  
Risk Index Series  
*Methodology***

January 2024

# Table of Contents

Introduction	2
<b>Index Objective</b>	<b>2</b>
<b>Highlights</b>	<b>2</b>
<b>Supporting Documents</b>	<b>2</b>
Index Construction	3
<b>Approach</b>	<b>3</b>
<b>Index Level Calculation</b>	<b>3</b>
Index Maintenance	4
<b>Rebalancing</b>	<b>4</b>
<b>Currency of Calculation and Additional Index Return Series</b>	<b>4</b>
<b>Base Date and History Availability</b>	<b>4</b>
Index Governance	5
<b>Index Committee</b>	<b>5</b>
Index Policy	6
<b>Holiday Schedule</b>	<b>6</b>
<b>Rebalancing</b>	<b>6</b>
<b>Unexpected Exchange Closures</b>	<b>6</b>
<b>Recalculation Policy</b>	<b>6</b>
<b>Contact Information</b>	<b>6</b>
Index Dissemination	7
<b>Tickers</b>	<b>7</b>
<b>Index Data</b>	<b>7</b>
<b>Web site</b>	<b>7</b>
Disclaimer	8
<b>Performance Disclosure/Back-Tested Data</b>	<b>8</b>
<b>Intellectual Property Notices/Disclaimer</b>	<b>9</b>

# Introduction

## Index Objective

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

## Highlights

Each index is composed of underlying index components representing the Korean and U.S. equity and fixed income markets. The indices represent stock-bond allocations across a risk spectrum from conservative to aggressive. The assigned risk level of the index (conservative, moderate, and aggressive) depends on the allocation to fixed income.

- **S&P Korea & U.S. 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 Korea & U.S. 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 Korea & U.S. Target Risk Aggressive Index.** The index seeks to emphasize exposure to equities, providing opportunities for long-term capital accumulation.

*Please refer to Index Construction for details on each index's allocation to U.S. equity, Korean equity, and fixed income components.*

## 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>
S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology	<a href="#">Fixed Income Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology	<a href="#">Fixed Income Index Mathematics Methodology</a>

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.

# Index Construction

## Approach

The S&P Korea & U.S. Target Risk Index Series is comprised of equity and fixed income components in the Korean and U.S. markets with fixed weight allocations on a monthly basis as follows:

Component	Conservative	Moderate	Aggressive
U.S. Equity	15%	25%	35%
Korea Equity	15%	25%	35%
U.S. Fixed Income	35%	25%	15%
Korea Fixed Income	35%	25%	15%

The S&P Korea & U.S. Target Risk Index Series is calculated in total return and price return with respective component indices as follows:

Target Risk Index	Asset Class	Underlying Index	Underlying Index Code
S&P Korea & U.S. Target Risk Index Total Return	U.S. Equity	S&P 500 (KRW) TR	500KRWT
	Korea Equity	S&P Korea LargeMidCap (KRW) TR	SPCPMICKRKRW.TR
	U.S. Fixed Income	S&P U.S. Treasury Bond 7-10 Year Index (KRW) TR	SPB10KRTNC
	Korea Fixed Income	S&P South Korea Sovereign Bond Index (KRW) TR	SPBKRSOTTNC
S&P Korea & U.S. Target Risk Index Price Return	U.S. Equity	S&P 500 (KRW) PR	500KRW
	Korea Equity	S&P Korea LargeMidCap (KRW) PR	SPCPMICKRKRW
	U.S. Fixed Income	S&P U.S. Treasury Bond 7-10 Year Index (KRW) PR	SPB10KRPNPNC
	Korea Fixed Income	S&P South Korea Sovereign Bond Index (KRW) PR	SPBKRSOTPNPNC

## Index Level Calculation

For information on index calculation, please refer to the *Weighted Return* section of S&P Dow Jones Indices' Index Mathematics Methodology.

# Index Maintenance

## Rebalancing

The S&P Korea & U.S. Target Risk Index Series is rebalanced monthly after the market close on the last business day of each month. On the last trading date of each month, the weights of the bond and equity exposure are rebalanced to the pre-defined levels.

## Currency of Calculation and Additional Index Return Series

The S&P Korea & U.S. Target Risk Index Series is calculated in Korean won.

WMR foreign exchange rates are taken daily at 4:00 PM London Time and used in the calculation of the indices. These mid-market fixings are calculated by WMR based on LSEG data and appear on LSEG pages.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJJ Methodology & Regulatory Status Database](#).

*For information on various index calculations, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

*For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

## Base Date 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 Korea & U.S. Target Risk Conservative Index (KRW)	01/13/2020	01/29/2010	01/29/2010	1000
S&P Korea & U.S. Target Risk Moderate Index (KRW)	01/13/2020	01/29/2010	01/29/2010	1000
S&P Korea & U.S. Target Risk Aggressive Index (KRW)	01/13/2020	01/29/2010	01/29/2010	1000

# Index Governance

## Index Committee

The S&P Korea & U.S. Target Risk Indices are maintained by an S&P Dow Jones Indices' Index Committee. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The Committee meets regularly. At each meeting, the Committees may revise index policy covering rules for including other assets or asset classes, changes to target weight allocations, currencies, the timing of rebalancing, 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 Methodology and/or Fixed Income Policies & Practices Methodology.*

# Index Policy

## **Holiday Schedule**

The indices are calculated on all Korean equity market business days.

*Complete holiday schedules for the year are available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).*

## **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 Methodology.

## **Recalculation Policy**

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

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

## **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.spglobal.com/spdji/](http://www.spglobal.com/spdji/), 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 versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index	Return Type	BBG
S&P Korea & U.S. Target Risk Conservative Index (KRW)	Price Return	SPKUTAKP
	Total Return	SPKUTAKT
S&P Korea & U.S. Target Risk Moderate Index (KRW)	Price Return	SPKUTMKP
	Total Return	SPKUTMKT
S&P Korea & U.S. Target Risk Aggressive Index (KRW)	Price Return	SPKUTCKP
	Total Return	SPKUTCKT

## Index Data

Daily index level data is available via subscription.

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

## Web site

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



# Disclaimer

## Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate certain ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using “Backward Data Assumption” (or pulling back) of ESG data for the calculation of back-tested historical performance. “Backward Data Assumption” is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as “product involvement”) were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on “Backward Data Assumption” please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific

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Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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