Ibbotson Target Maturity Report Q1 2010

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In contrast with the last two years which started with negative first quarters, 2010 started with a positive quarter. After six consecutive quarters of negative returns (Q3-2007 to Q1-2009), the average target maturity fund has now been positive for four straight quarters (Q2-2009 to Q1-2010). Nearly all mainstream asset classes had a positive return during the first quarter of 2010 and the past 12 months. These positive returns are reflected by the change in the Risk-Return graphs. The downward-sloping target maturity glidepaths of 2008 and early 2009 have given way to more typical upward-sloping glidepaths indicating that more risk led to more return (see Figures 1 and 2).

In this quarter's Ibbotson Target Maturity Report, we continue to provide analysis of the growing target maturity market. Our analysis covers the dramatic changes in these funds over the past year, including target maturity fund performance relative to peers and benchmarks, the added value of allocating to different asset classes, target maturity fund flows, as well as the Morningstar Fund Research team's latest target maturity fund family ratings.

Target Maturity Performance Summary
As previously discussed, the average target maturity fund had a positive return for the fourth straight quarter. The 3.8% average target maturity fund return in the first quarter was slightly below the 4.0% return during the fourth quarter of 2009. As is consistent with previous up markets, this return trailed the 5.4% return of the S&P 500 Index. The weighted-average return of the 13 indices that collectively form the Morningstar Lifetime Moderate Index family was 3.4%.[1] For each of the three measures shown in Table 1, the performance over the past 12 months ending March 31, 2010 tells a similar story. The average target maturity fund performed comparably with the Morningstar Lifetime Moderate Index, but underperformed the all-equity index.

Table 1: 2010 Target Maturity Performance Summary

	Q1 Return	12-Month Return
Average Target Maturity Fund	3.8%	42.6%
Morningstar Lifetime Moderate Index	3.4%	42.5%
S&P 500 Index	5.4%	49.8%

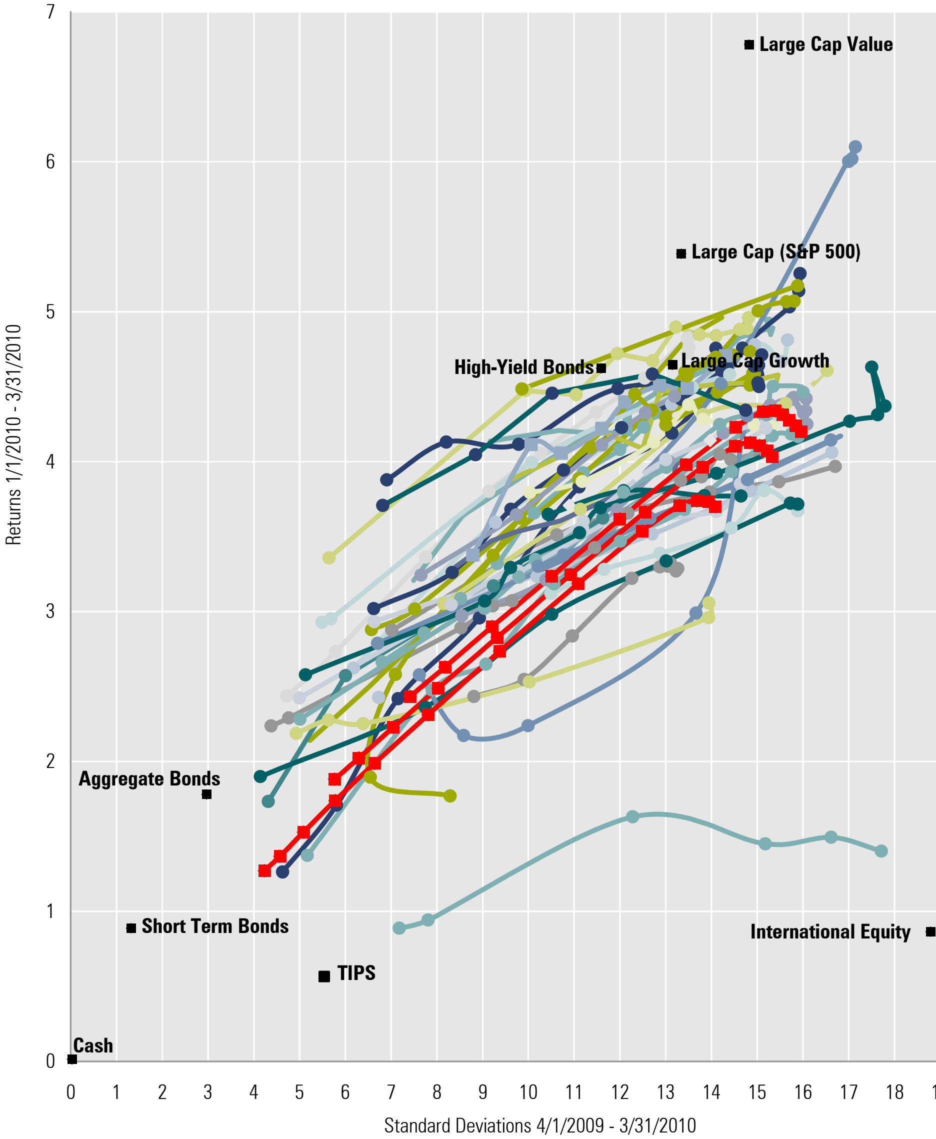
Source: Ibbotson Associates and Morningstar Direct[SM]

[1] Ibbotson Associates creates the glide paths and asset allocations for the 39 indexes that form the Morningstar Lifetime Allocation Index family using our Lifetime Asset Allocation framework. The weighted average return presented here for the Morningstar Lifetime Moderate Index is based on the number of funds currently in each of the 13 respective date-based categories, 2055 to Income.

Fund Family Performance

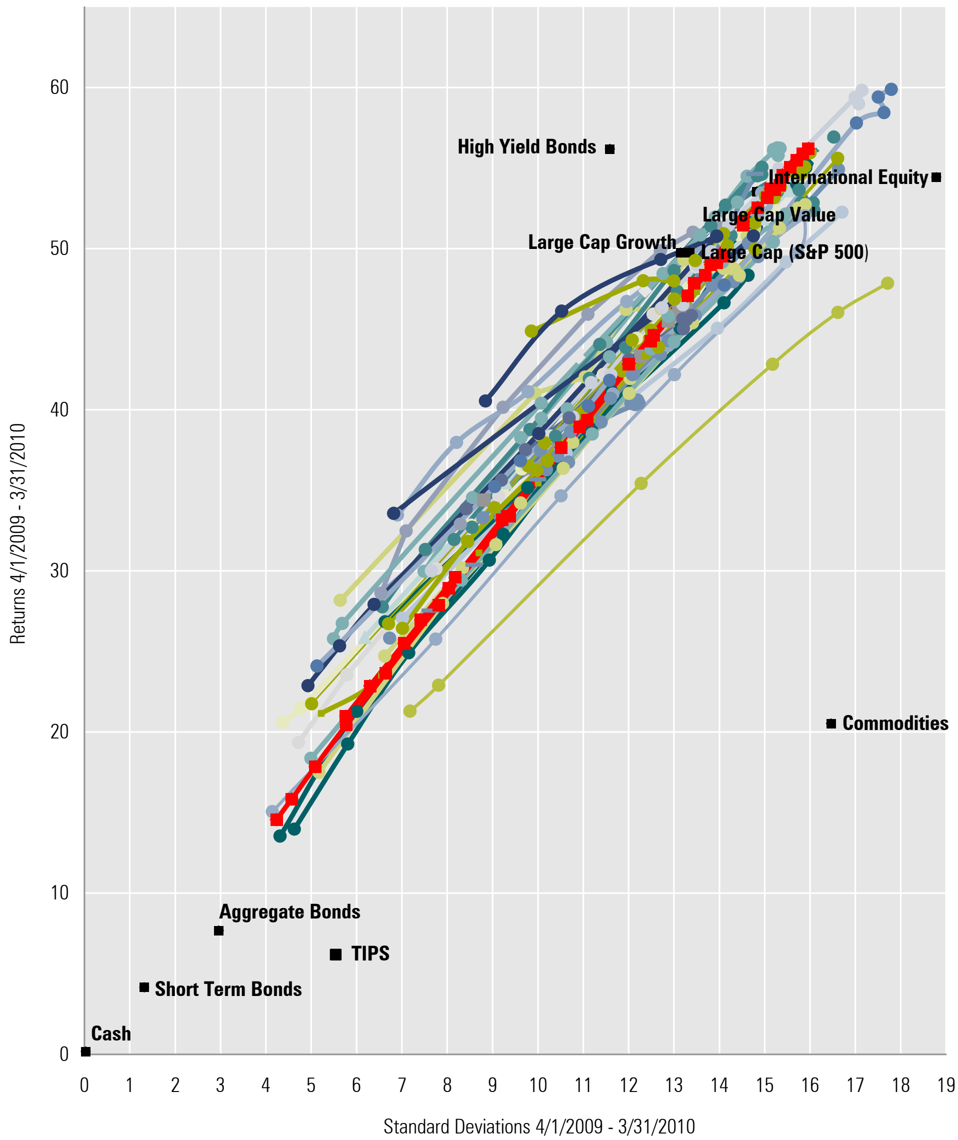
The performance of target maturity fund families during the first quarter is summarized in Figure 1. We are now tracking 332 unique target maturity funds with at least a one-year track record representing 43 fund families. The lines in the graph connect funds from the same fund family. This efficient frontier-like risk and return graph enables one to see the distinct performance of different fund families. Plot points that are northwest (up and left representing high return and low risk) are better. In a pattern that is very similar to the past three quarters, this quarter all target maturity funds had a positive return. Once again, the aggregate stock-bond split was the primary driver of total returns for most funds. Relative return differences among funds with similar aggregate stock-bond splits are caused by detailed asset allocation differences and manager-specific performance. The three Morningstar Lifetime Allocation indexes, representing conservative, moderate, and aggressive glidepaths, are displayed in red with red squares.

Figure 1: Fund Family Performance - Q1 Return and 1 Year Risk Ending 3/31/2010



As with past quarters, we also produced a one-year risk and return graph. These impressive returns reflect the dramatic rally that began in March of last year. Similar to Figure 1, which displays the returns during the first quarter on the vertical axis, Figure 2 displays the returns during the past 12 months on the vertical axis. As with Figure 1 all target maturity fund returns were positive. Additionally, all returns were greater than 10% which is due in large part the great market performance over the past 12 months, with some of the best funds recording a near 60% return! Once again, the three Morningstar Lifetime Allocation indexes are indicated with red squares.

Figure 2: Fund Family Performance – 1 Year Return and 1 Year Risk Ending 3/31/2010

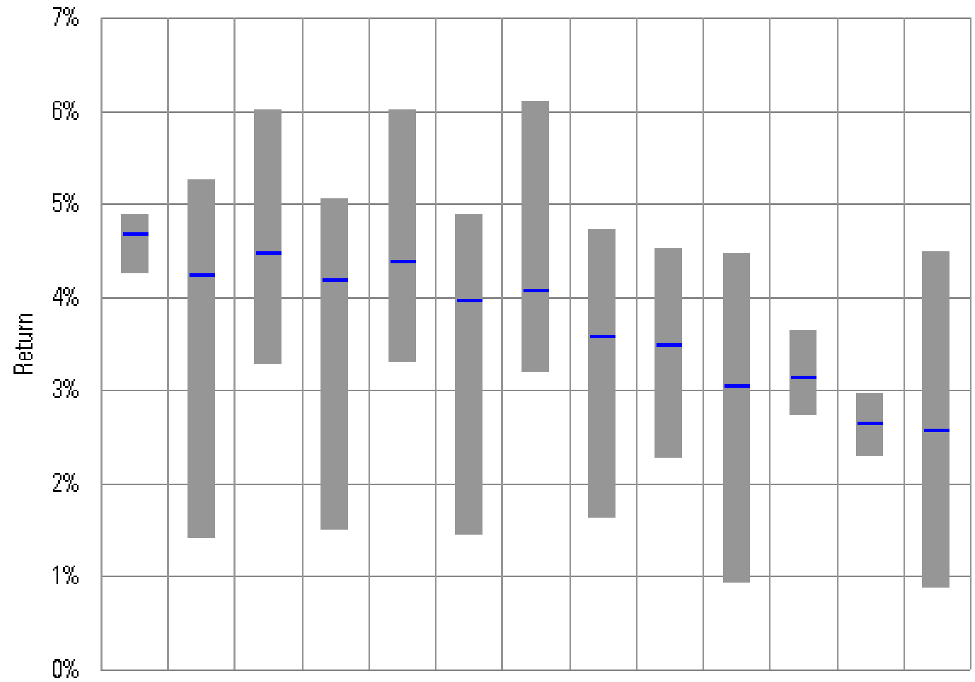


Source: Ibbotson Associates and Morningstar Direct[SM]

Target Maturity Fund Performance

Figure 3 offers performance data relative to each fund's assigned Morningstar category as well as to an index. The floating gray bars within the chart show the range of quarterly returns for the 13 target maturity fund categories. The blue line within each bar identifies the average fund performance for that category. There are meaningful differences between the best-performing funds ("Max" row within the below table) and the worst-performing funds ("Min" row within the below table) in each category reflecting primarily the substantial "intra-category" differences in equity exposure. Typically in up markets in which aggregate equity exposure is the primary driver of performance the blue lines identifying the averages form a pattern that resembles a typical equity glide path. The table also identifies the number of mutual funds in each category that outperformed or underperformed the category's corresponding Morningstar Lifetime Moderate Index based on Ibbotson's Lifetime Asset Allocation methodology. Relative to the Morningstar Lifetime Moderate Index family, 238 funds outperformed while 94 funds underperformed.

Figure 3: Target Maturity Fund Category Performance Q1 2010



Category	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	Income
Max	4.9%	5.3%	6.0%	5.1%	6.0%	4.9%	6.1%	4.7%	4.5%	4.5%	3.6%	3.0%	4.5%
Average	4.7%	4.2%	4.5%	4.2%	4.4%	4.0%	4.1%	3.6%	3.5%	3.1%	3.1%	2.6%	2.6%
Min	4.2%	1.4%	3.3%	1.5%	3.3%	1.5%	3.2%	1.6%	2.3%	0.9%	2.7%	2.3%	0.9%
# of Funds (vs. Index)													
Outperformers	3	21	20	23	19	21	22	26	27	24	7	2	23
Underperforms	0	9	6	15	10	17	8	12	6	7	0	0	4
Total	3	30	26	38	29	38	30	38	33	31	7	2	27
Index													
Aggressive	4.2%	4.2%	4.3%	4.3%	4.3%	4.3%	4.2%	4.0%	3.6%	3.2%	2.9%	2.6%	2.4%
Moderate	4.0%	4.1%	4.1%	4.1%	4.1%	4.0%	3.7%	3.2%	2.8%	2.5%	2.2%	2.0%	1.9%
Conservative	3.7%	3.7%	3.7%	3.7%	3.5%	3.2%	2.7%	2.3%	2.0%	1.7%	1.5%	1.4%	1.3%

Source: Ibbotson Associates and Morningstar, Inc.; see the Appendix for information regarding the indices used in Figure 3.

Asset Class Performance

Table 2 helps us attribute quarterly fund performance differences to various asset class exposures. The table contains quarterly performance for the most common asset class building blocks that make up target maturity funds.

Table 2: Asset Class Performance – Q1 2010

Asset Class	Q1 2010 Return	12-Month Standard Deviation
US Large Growth Equity	4.7%	13.1%
US Large Value Equity	6.8%	14.8%
US Small Growth Equity	7.6%	20.4%
US Small Value Equity	10.0%	21.2%
Non-US Developed Equity	0.9%	18.8%
Emerging Market Equity	2.5%	25.0%
Real Estate	10.0%	34.0%
Commodities (Futures)	-5.0%	16.5%
High-Yield Bonds	4.6%	11.6%
US Aggregate Bonds	1.8%	3.0%
US Short-Term Bonds	0.9%	1.3%
TIPS	0.6%	5.5%
Cash	0.0%	0.0%

Source: Ibbotson Associates and Morningstar Direct[SM]

In continuing the theme of the last three quarters of 2009 nearly all of the asset classes shown in the table had a positive return, including cash which was slightly positive. REITs and U.S. small cap value stocks were the big winners of the quarter, both providing double-digit returns. Non-U.S. equities continued to see slowing momentum as they significantly underperformed their U.S. counterparts during the quarter. Within the U.S. equity asset classes, value stocks outperformed growth stocks and small cap stocks outperformed large cap stocks, both of which are in line with long-term historical trends. Commodities was the biggest underachiever during the quarter with a 5.0% decline after returning more than 10% during the second half of 2009. Within fixed income, as long-term investors would expect, high-yield bonds returned more than investment grade bonds, and longer term bonds outperformed shorter term bonds. In general, target maturity fund families with less non-U.S. equities, no commodities, and large exposures to REITs and high yield bonds performed the best.

Switching from quarterly performance to annual performance, Table 3 displays the asset class returns for the last 12 months.

Table 3: Asset Class Performance – Trailing 12 Months

Asset Class	12-Month Return	12-Month Standard Deviation
US Large Growth Equity	49.8%	13.1%
US Large Value Equity	53.6%	14.8%
US Small Growth Equity	60.3%	20.4%
US Small Value Equity	65.1%	21.2%
Non-US Developed Equity	54.4%	18.8%
Emerging Market Equity	81.6%	25.0%
Real Estate	106.7%	34.0%
Commodities (Futures)	20.5%	16.5%
High-Yield Bonds	56.2%	11.6%
US Aggregate Bonds	7.7%	3.0%
US Short-Term Bonds	4.2%	1.3%
TIPS	6.2%	5.5%
Cash	0.2%	0.0%

Source: Ibbotson Associates and Morningstar Direct SM

During the past 12 months asset class returns had quite a run with four consecutive quarters of positive returns for both stocks and bonds. All asset classes had positive returns, while each equity asset class had a return of approximately 50% or more (not including Commodities). REITs returned an astonishing triple-digit return of over 106% over this period! As is similar with the quarterly return data provided in Table 2, for the last 12 months U.S. value stocks outperformed U.S. growth stocks, and U.S. small cap stocks outperformed U.S. large cap stocks. Within fixed income, high-yield bonds were the top performer beating the returns of many equity asset classes. Additionally, longer-term bonds returned more than shorter-term bonds over the period.

Morningstar Lifetime Allocation Indexes

Table 4 presents the performance figures for the complete Morningstar Lifetime Asset Allocation Index family. The Morningstar Lifetime Allocation Index family is based on Ibbotson's Lifetime Asset Allocation methodology. In general, quarterly performance was similar to market performance, one-year performance was solid, annualized three-year performance ranged from -2.6% to over 4.5%, and annualized five-year returns were generally over 5%.

Table 4: Morningstar Lifetime Allocation Index Returns (%)

(As of 3/31/2010; multiyear periods annualized)	1 Month	3 Month	1 Year	3 Year	5 Year
Income					
Conservative Income	0.97	1.27	14.56	4.52	5.20
Moderate Income	1.85	1.88	20.98	3.40	5.20
Aggressive Income	2.65	2.43	26.97	2.25	5.11
2000					
Conservative 2000	1.05	1.37	15.84	4.48	5.34
Moderate 2000	2.02	2.02	22.86	3.23	5.32
Aggressive 2000	2.92	2.63	29.60	1.88	5.19
2005					
Conservative 2005	1.24	1.53	17.85	4.31	5.47
Moderate 2005	2.30	2.23	25.51	2.89	5.42
Aggressive 2005	3.32	2.90	33.17	1.29	5.23
2010					
Conservative 2010	1.52	1.74	20.45	4.03	5.59
Moderate 2010	2.69	2.49	28.93	2.36	5.50
Aggressive 2010	3.86	3.24	37.65	0.46	5.20
2015					
Conservative 2015	1.89	1.99	23.66	3.59	5.71
Moderate 2015	3.23	2.83	33.40	1.57	5.53
Aggressive 2015	4.50	3.62	42.83	(0.55)	5.07
2020					
Conservative 2020	2.40	2.31	27.87	2.90	5.81
Moderate 2020	3.93	3.25	38.96	0.51	5.44
Aggressive 2020	5.14	3.98	47.87	(1.54)	4.87
2025					
Conservative 2025	3.11	2.74	33.40	1.92	5.82
Moderate 2025	4.67	3.66	44.64	(0.59)	5.25
Aggressive 2025	5.62	4.23	51.66	(2.25)	4.71
2030					
Conservative 2030	3.90	3.19	39.36	0.82	5.70
Moderate 2030	5.24	3.96	49.01	(1.41)	5.07
Aggressive 2030	5.88	4.34	53.72	(2.55)	4.68
2035					
Conservative 2035	4.55	3.54	44.25	(0.05)	5.53
Moderate 2035	5.55	4.10	51.47	(1.79)	5.02
Aggressive 2035	5.97	4.34	54.57	(2.59)	4.76
2040					
Conservative 2040	4.92	3.71	47.07	(0.49)	5.47
Moderate 2040	5.67	4.13	52.55	(1.88)	5.08
Aggressive 2040	6.01	4.31	55.07	(2.55)	4.88
2045					
Conservative 2045	5.07	3.74	48.35	(0.63)	5.52
Moderate 2045	5.73	4.11	53.17	(1.88)	5.19
Aggressive 2045	6.04	4.28	55.48	(2.50)	5.01
2050					
Conservative 2050	5.15	3.73	49.14	(0.66)	5.60
Moderate 2050	5.77	4.07	53.65	(1.83)	5.31
Aggressive 2050	6.07	4.24	55.88	(2.44)	5.14
2055					
Conservative 2055	5.19	3.70	49.52	(0.64)	5.64
Moderate 2055	5.79	4.03	53.96	(1.79)	5.36
Aggressive 2055	6.09	4.20	56.20	(2.40)	5.19

Source: Ibbotson Associates and Morningstar Direct[SM]

Fund Flows

Overall target maturity flows increased 11% from the fourth quarter 2009, and were a stunning 55% higher than the flows of the first quarter 2009. The gusher of money coming into these funds may be attributable not only to increased investor confidence in the markets, but to the increasing popularity of target maturity options within defined contribution plans. Additionally, we believe many employers may have reinstated previously suspended retirement plan matches also contributing to the increase.

As measured by flow as a percentage of beginning AUM, the growth rates this quarter are similar to last quarter's flows and those of other recent quarters. This product category's ability to maintain its stellar quarterly growth rate is all the more impressive considering assets have climbed steeply in each successive quarter since first quarter of 2009 due to both flows and market appreciation. Longer dated target maturity funds continue to receive the greatest percent increase of total assets, but all target maturity categories enjoyed more positive flows this quarter than last.

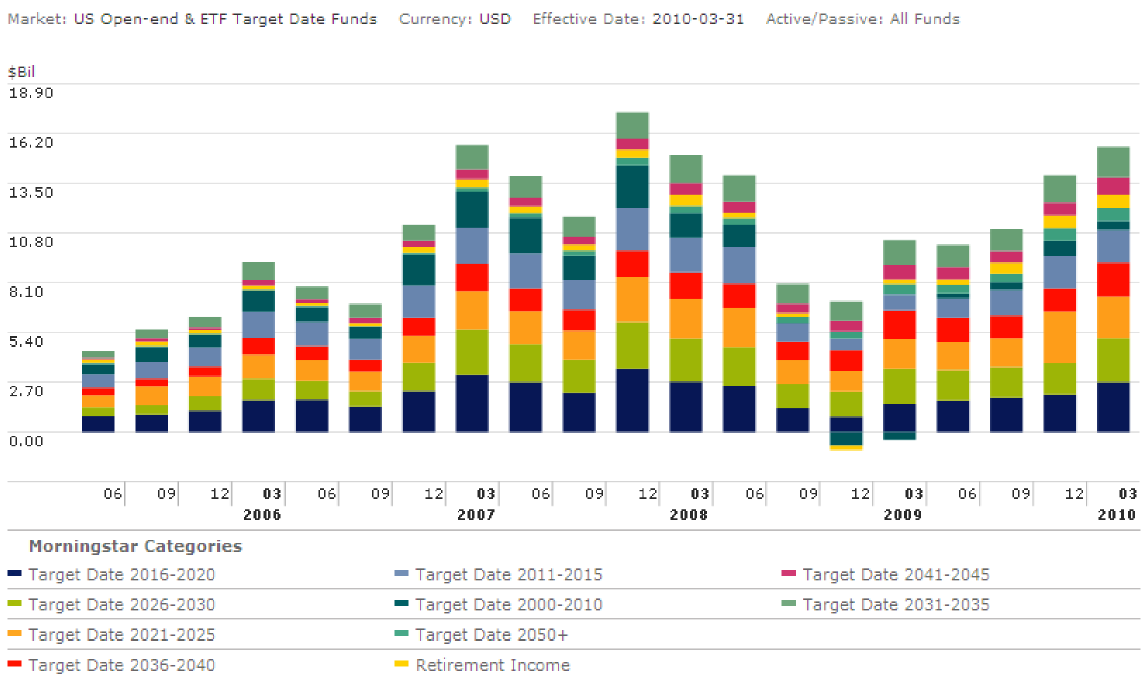
If target maturity were a single Morningstar category, it would rank as the seventh largest. It's already bigger than the World Stock and World Allocation categories, but it is still about $100 billion smaller than the Moderate Allocation category. Market appreciation aside, if target maturity funds maintain their current growth rates they could collectively surpass $350 billion in assets within a year. This figure does not reflect the growing number of assets that are invested in custom target maturity solutions as the largest plan sponsors continue to move away from off the shelf funds to customized glide paths built from their existing fund line up.

Table 5: Target Maturity Fund Flows Q1 2010

	Asset Under Management $Mil		**Estimated Net Flow $Mil**			
					Flow as a % of beginning AUM	
Target Date	End 2009	End Q1 2010	Q1 2010	Avg (past four qtrs.)	Q1 2010	Q4 2009
Income	11,367	12,446	741	584	6%	7%
2000-2010	31,673	33,147	826	494	2%	3%
2011-2015	30,673	33,429	1,783	1,494	6%	6%
2016-2020	51,421	56,183	2,709	2,079	5%	4%
2021-2025	32,535	36,208	2,268	2,046	7%	10%
2026-2030	38,878	43,037	2,403	1,854	6%	5%
2031-2035	21,178	23,828	1,643	1,365	8%	8%
2036-2040	24,051	27,007	1,812	1,404	8%	6%
2041-2045	9,177	10.553	920	734	10%	9%
2050+	5,505	6,480	694	578	13%	15%
Totals	256,460	282,320	15.467	1,263	6%	6%

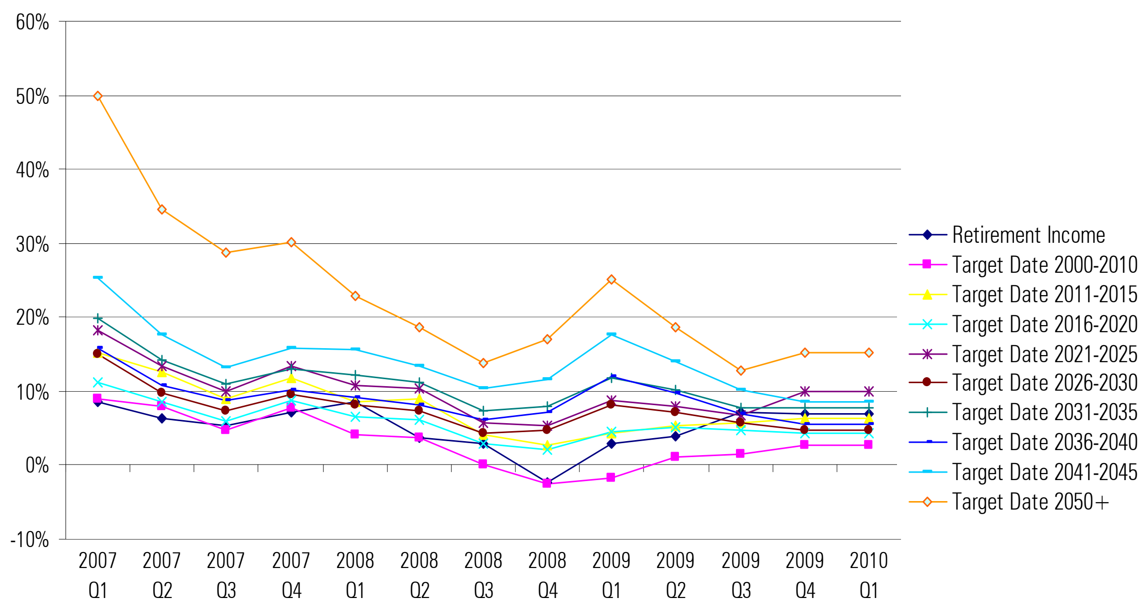
Source: Morningstar Direct[SM]

Figure 5: Monthly Estimated Net Flows by Morningstar Category



Source: Ibbotson Associates and Morningstar Direct[SM]

Figure 6: Quarterly Flow as a Percent of Assets Under Management



Source: Morningstar Direct[SM]

Fund Family Ratings and Research Reports

At the end of 2009, Morningstar's mutual fund research team updated its ratings conducted on the 20 largest target maturity mutual fund series. Table 6 provides a summary of these ratings as of December 31, 2009. The fund families in the Top and Bottom categories did not change from the previous ratings, although the number of fund families in the Above Average and Below Average slightly decreased resulting in a larger number of firms in the Average category. Specifically, MassMutual was upgraded from Below Average to Average, while TIAA-CREF was downgraded from Above Average to Average.

Table 6: Overall Ratings Summary as of Q4 2009

Top	Above Average	Average	Below Average	Bottom
American Century	JP Morgan	Fidelity	AllianceBernstein	Oppenheimer
American Funds	Vantagepoint	John Hancock	DWS	
T. Rowe Price	Wells Fargo	MassMutual	Fidelity Advisor	
Vanguard		MFS	ING Retirement	
		Schwab	Principal	
		TIAA-CREF	Putnam	

Morningstar Target Maturity Fund Series Ratings and Research Reports are available in Morningstar Principia®, Morningstar Advisor Workstation℠ Enterprise Edition, Morningstar Direct℠, Morningstar Office®, Morningstar Site Builder℠, and through licensed data feeds. Morningstar.com, the company's Web site for individual investors, publishes the ratings and a modified version of the report.

For additional information about Morningstar's target maturity fund evaluation and rating methodology, please visit http://global.morningstar.com/TargetDateReports.

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Appendix: Index Definition
Morningstar Lifetime Allocation Indexes are a family of multi-asset class target maturity indexes available in three risk tracks: Aggressive, Moderate, and Conservative. Each risk track consists of 13 indexes ranging from a 2055 index to an income index. The glide paths and strategic asset allocations of the indexes is based on Ibbotson's Lifetime Asset Allocation methodology. Security selection for each sub asset class in the index family is provided by a matching Morningstar market index.

Standard & Poor's 500 Index: Market-capitalization-weighted index of 500 widely held stocks. Member companies are chosen based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility and transportation companies.