

# Ibbotson Target Maturity Report



Tom Idzorek

Vice President of Research and  
Product Development

Ibbotson Associates

If you didn't notice the performance of the global asset markets this most recent quarter and you have an appropriate, disciplined, long-term asset allocation plan – GREAT – stop reading.

The stated goal of this brief article is to answer the question, how did target maturity funds do in the first quarter of 2008? First, let me begin by stating that this is a silly question. The performance of long-term asset allocations strategies over a single quarter is basically meaningless; nevertheless, it is somewhat fun for those of us that follow the funds closely.

For those of you who are still reading, the first quarter of 2008 was a tough one. Of the 329 quarters of data that we have for the S&P 500 going back to the beginning of 1926, this was the 32<sup>nd</sup> worst quarter ever. In other words, 90% of all quarters have been better than the most recent one.

It was also a terrible quarter for target maturity funds; although, they fared better than the -9.44% of the S&P 500. Of the 204 retail target maturity funds that we currently track, the average return was -6.91%. We organized the 204 funds into 13 groups based on the funds' target maturity date. As one would expect and as shown in the fund performance table, the shorter-term, more bond-centric funds did better than the longer-term, equity-centric funds.

## Target Maturity Fund Performance (Q1 – 2008)

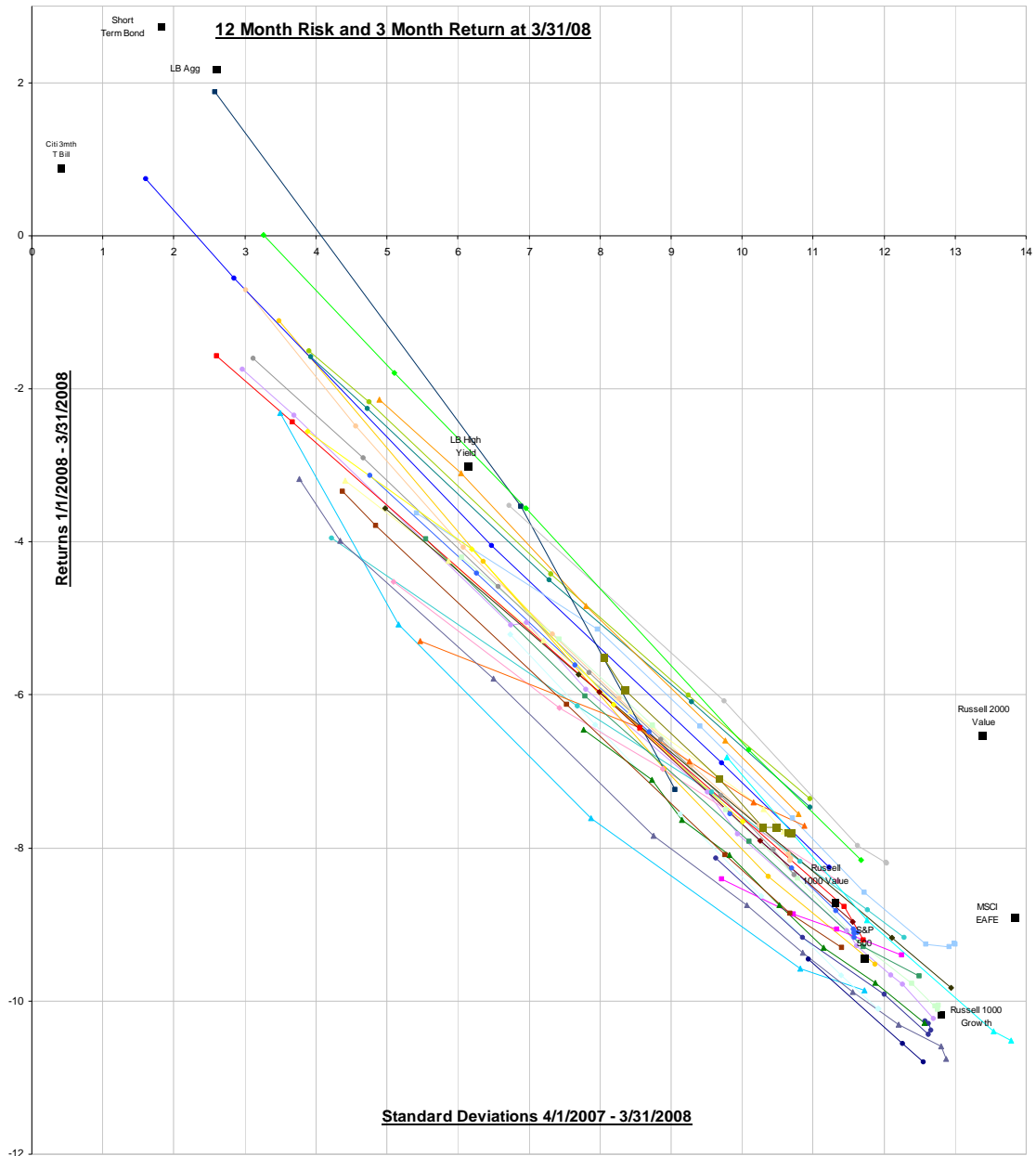
	Max	Average	Min	# of Funds
<b>Maturity Date</b>	0.7%	-2.7%	-5.3%	21
2000	-2.3%	-3.3%	-4.2%	2
2005	-2.5%	-4.6%	-6.4%	6
2010	1.9%	-4.4%	-8.4%	25
2015	-1.8%	-6.1%	-9.5%	22
2020	-3.6%	-6.8%	-9.9%	26
2025	-4.8%	-8.2%	-10.6%	18
2030	-6.0%	-8.4%	-10.4%	24
2035	-6.6%	-9.1%	-10.8%	17
2040	-7.4%	-8.9%	-10.3%	22
2045	-7.6%	-9.3%	-10.6%	13
2050	-7.8%	-9.2%	-10.8%	7
2055	-9.1%	-9.1%	-9.1%	1

204

Source: Ibbotson Associates

The 204 funds can also be plotted on a traditional risk and return graph. The graph displays the *quarterly* returns of the funds on the vertical axis and the annualized standard deviation based on 12 months of data. In this graph we have connected the dots associated with different target maturity fund families. One might think of this graph as a *realized* efficient frontier for the various fund families. Over longer time periods the graph resembles a more typical efficient frontier in which higher risk is rewarded with more return. This was absolutely not the case in the first quarter of 2008.

**Risk and Return Graph**



Source: Ibbotson Associates

In addition to the 204 target maturity funds, we also plotted the performance of some of the most common asset class building blocks that make up these funds. The approximate performance of these different asset classes are listed in the Asset Class Performance table.

## Asset Class Performance

Asset Class	1Q 2008 Return	12 Month Standard Deviation (Annualized)
U.S. Large Growth	-10.2%	12.8%
U.S. Large Value	-8.7%	11.3%
U.S. Small Growth	-12.8%	15.8%
U.S. Small Value	-6.5%	13.4%
Non-U.S. Developed	-8.9%	13.8%
Emerging Markets	-10.9%	25.4%
Real Estate	1.4%	19.3%
Commodities (Futures)	9.6%	18.0%
High Yield	-3.0%	6.1%
U.S. Aggregate Bonds	2.2%	2.6%
U.S. Short-Term Bonds	2.7%	1.8%
Cash	0.9%	0.4%

Source: Ibbotson Associates

The asset class level returns allow us to make some generalizations about what caused the performance differences among the funds.

As is usually the case, the high-level stock-bond split was the most important driver of returns. Reversing the trend observed in 2007, U.S. value stocks outperformed U.S. growth stocks, helping the relative performance of those funds with a value tilt. Although allocations to commodities are relatively small, the performance of funds with exposure to commodities was certainly helped in the first quarter. At least for this quarter, commodities delivered when they needed to. Finally, for the shorter-term, bond-centric funds, exposure to shorter-term, high-credit-quality bond asset classes helped performance. Let's all hope for a better second quarter.

### About Ibbotson

Ibbotson Associates is a leading independent asset allocation provider offering investment advisory services, retirement advice programs, and customized research. Ibbotson applies academic research to create real-world solutions for financial institutions. Our clients include many of the top brokerage firms, insurance companies, banks, asset managers, and retirement plan providers. Ibbotson was founded in 1977 and is a Morningstar company.

For more information, contact:

Ibbotson Associates  
 225 North Michigan Avenue  
 Suite 700  
 Chicago, Illinois 60601  
 312-616-1620  
 312-616-0404 fax  
 ibbotson.com

### Important Disclosures

The data provided is for informational purposes only and is not meant to be a recommendation to buy or sell a security. The performance data shown represents past performance. Past performance does not guarantee future results.