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# Morningstar Category™ Classifications for 529 Investment Options

## For 529 portfolios available for sale in the United States

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### Morningstar Research

April 2022

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The Morningstar Category™ classifications for 529 investment options were introduced in 2010 to help investors make meaningful comparisons between 529 options.

The Morningstar Category classifications for 529 investment options breaks portfolios into peer groups based on their holdings and asset allocation. Morningstar regularly reviews the category structure and the portfolios within each category to ensure that the system meets the needs of investors.

Morningstar assigns categories to all types of portfolios, such as mutual funds, variable, separate accounts as well as 529 options. Portfolios are placed in a given category based on their average holdings statistics over the past three years. Additional data, such as correlations annuities to category benchmarks, may also be considered. For 529 age-based options Morningstar will also take into the account the 529 options' glide path data. Morningstar's editorial team also reviews and approves of all category assignments. If the portfolio is new and has no history, Morningstar estimates where it will fall before giving it a more permanent category assignment. When necessary, Morningstar may change a category assignment based on recent changes to the portfolio.

## Category List

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## Static

Static portfolios may allocate to stocks, bonds, cash, or a combination of all three. Unlike their age-based counterparts, static portfolios have risk levels that are relatively constant over time. These portfolios are not designed to de-risk as a child ages.

## Large Value

Large Value 529 portfolios invest primarily in big US companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Category Group Index: S&P 500 TR USD

Category Index: Russell 1000 Value TR USD

## Large Blend

Large Blend 529 portfolios are representative of the overall US stock market in size, growth rates and price. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of US industries.

Category Group Index: S&P 500 TR USD

Category Index: Russell 1000 TR USD

## Large Growth

Large Growth 529 portfolios invest in big US companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the US equity market are defined as large cap. Growth is defined based on fast growth (highest growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Category Group Index: S&P 500 TR USD

Category Index: Russell 1000 Growth TR USD

## Mid-Cap

Mid-Cap 529 portfolios invest in either medium size companies or a mix of small-, mid- and large cap stocks. The US mid-cap range for market capitalization typically falls between \$1 billion - \$8 billion and represents 20% of the total capitalization of the US equity market.

Category Group Index: S&P 500 TR USD

Category Index: Russell Mid Cap TR USD

## Small-Cap

Small-Cap 529 portfolios invest in small US companies. The US small-cap market represents the bottom 10% of the capitalization of the US equity market.

Category Group Index: S&P 500 TR USD

Category Index: Russell 2000 TR USD

**Allocation— 15% to 30% Equity**

Allocation 15% to 30% equity 529 portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. These portfolios have a bias toward domestic holdings and have equity exposures between 15% and 30%

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Con Tgt Risk TR USD

**Allocation— 30% to 50% Equity**

Allocation— 30% to 50% Equity 529 portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. These portfolios have a bias toward domestic holdings and have equity exposures between 30% and 50%.

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Mod Con Tgt Risk TR USD

**Allocation— 50% to 70% Equity**

Allocation— 50% to 70% Equity 529 portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. These portfolios have a bias toward domestic holdings and have equity exposures between 50% and 70%.

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Mod Tgt Risk TR USD

**Allocation— 70% to 85% Equity**

Allocation— 70% to 85% Equity 529 portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. These portfolios have a bias toward domestic holdings and have equity exposures between 70% and 85%.

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Mod Agg Tgt Risk TR USD

**Allocation— 85%+ Equity**

Allocation— 85%+ Equity 529 portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. These portfolios have a bias toward domestic holdings and have equity exposures of more than 85%.

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Agg Tgt Risk TR USD

**Non US Equity**

Non US 529 Equity portfolios do not have any geographical limitations. It is common for these portfolios to invest the majority of assets in the US, Europe and Japan, with the remainder divided among the globe's small markets.

Category Group Index: MSCI ACWI Ex USA NR USD

Category Index: MSCI ACWI Ex USA NR USD

**US Government**

US Government 529 portfolios have at least 90% of their bond holdings in bonds backed by the US government or by government-linked agencies.

Category Group Index: Barclays US Agg Bond TR USD

Category Index: Barclays US Government TR USD

**Short-Term Bond**

Short-Term Bond 529 portfolios invest primarily in corporate and other investment-grade fixed income issues. The majority of these funds invests primarily in the US but may have some non-US bond exposure. Durations on these funds will typically fall between on to 3.5 years.

Category Group Index: Barclays US Agg Bond TR USD

Category Index: Barclays Govt/Credit 1-5 Yr TR USD

**Intermediate-Term Bond**

Intermediate-Term Bond 529 portfolios invest primarily in corporate and other investment-grade fixed income issues. The majority of these funds invests primarily in the US but may have some non-US bond exposure. Durations on these funds will typically fall between 3.5 to six years.

Category Group Index: Barclays US Agg Bond TR USD

Category Index: Barclays US Agg Bond TR USD

**Money Market**

Money Market 529 portfolios invest in short term money market securities and/or short-term municipal money market securities. These funds provide current income and aim to preserve capital.

Category Group Index: USTREAS T-Bill Auction Ave 3 Mon

Category Index: BofAML USD LIBOR 3 Mon CM

**Global Bond**

Global Bond 529 portfolios invest primarily in investment-grade rated issues, but their strategies can vary. Some follow a conservative approach, sticking with high-quality bonds from developed markets. Others are more adventurous, owning some lower-quality bonds from developed or emerging markets. Portfolios will have 40% or more in non-U.S. bonds. Many consistently maintain significant allocations to non-U.S. dollar currencies, while others have the flexibility to make sizeable adjustments between their U.S. dollar and non-U.S. currency exposures.

Category Group Index: Barclays US Agg Bond TR USD

Category Index: BBgBarc Global Aggregate TR USD

**Real Estate**

Real estate 529 portfolios invest in a minimum of 60% in real estate, primarily in real estate investment trusts of various types. REITs are companies that develop and manage real estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs. Some portfolios in this category also invest in real estate operating companies.

Category Group Index: MSCI ACWI NR USD

Category Index: S&P United States REIT TR USD

## Age-Fixed

Age-Based Fixed 529 plan options are labeled by a child's age and contain static allocations of stocks, bonds, and cash based on the stated risk tolerance and a child's current age. College savers sell out of one portfolio and step into another, more conservative portfolio as the child grows older, typically in two-year increments.

### Age 0-4

Age 0-4 portfolios are intended for children from the ages of zero until they turn four. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 40% equity stake.

Category Group Index: Morningstar Mod Agg Tgt Risk TR USD

Category Index: Morningstar Mod Agg Tgt Risk TR USD

### Age 5-6

Age 5-6 portfolios are intended for children from the ages of five to six. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 40% equity stake.

Category Group Index: Morningstar Mod Agg Tgt Risk TR USD

Category Index: Morningstar Mod Agg Tgt Risk TR USD

### Age 7-8

Age 7-8 portfolios are intended for children from the ages of seven to eight. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 30% equity stake.

Category Group Index: Morningstar Mod Agg Tgt Risk TR USD

Category Index: Morningstar Mod Agg Tgt Risk TR USD

### Age 9-10

Age 9-10 portfolios are intended for children from the ages of nine to ten. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 20% equity stake.

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Mod Tgt Risk TR USD

### Age 11-12

Age 11-12 portfolios are intended for children from the ages of eleven to twelve. They may come in several equity allocations, from an aggressive 90% equity stake all the way to a conservative 10% equity stake.

Category Group Index: Morningstar Mod Tgt Risk TR USD

Category Index: Morningstar Mod Tgt Risk TR USD

### Age 13-14

Age 13-14 portfolios are intended for children from the ages of 13 to 14. They may come in several equity allocations, from an aggressive 80% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Mod Con Tgt Risk TR USD

Category Index: Morningstar Mod Con Tgt Risk TR USD

**Age 15-16**

Age 15-16 portfolios are intended for children from the ages of 15 to 16. They may come in several equity allocations, from an aggressive 70% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Mod Con Tgt Risk TR USD

Category Index: Morningstar Mod Con Tgt Risk TR USD

**Age 17-18**

Age 17-18 portfolios are intended for children from the ages of 17 to 18. They may come in several equity allocations, from an aggressive 60% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Con Tgt Risk TR USD

Category Index: Morningstar Con Tgt Risk TR USD

**Age 19+**

Age 19+ portfolios are intended for children who are enrolled in college. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Con Tgt Risk TR USD

Category Index: Morningstar Con Tgt Risk TR USD



## Age-Progressive

Age-Based Progressive 529 plan options are labeled by a child's year of enrollment in college and gradually shift between stocks, bonds, and cash over time. Management adjusts the allocations to reduce risk on behalf of college savers as the target enrollment date approaches, following a preset glide path.

### **US 529 Target Enrollment 2039+**

Target Enrollment 2039+ portfolios are intended for children who will enroll in college 18+ years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 75% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

### **US 529 Target Enrollment 2036**

Target Enrollment 2036 portfolios are intended for children who will enroll in college 15-17 years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 68% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

### **US 529 Target Enrollment 2033**

Target Enrollment 2033 portfolios are intended for children who will enroll in college 12-14 years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 55% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

### **US 529 Target Enrollment 2030**

Target Enrollment 2030 portfolios are intended for children who will enroll in college 9-11 years from today. They may come in several equity allocations, from an aggressive 90% equity stake all the way to a more conservative 43% equity stake.

Category Group Index: Morningstar 529 Mod 2031 TR USD

Category Index: Morningstar 529 Mod 2031 TR USD

### **US 529 Target Enrollment 2027**

Target Enrollment 2027 portfolios are intended for children who will enroll in college 6-8 years from today. They may come in several equity allocations, from an aggressive 75% equity stake all the way to a more conservative 28% equity stake.

Category Group Index: Morningstar 529 Mod 2028 TR USD

Category Index: Morningstar 529 Mod 2028 TR USD

**US 529 Target Enrollment 2024**

Target Enrollment 2024 portfolios are intended for children who will enroll in college 3-5 years from today. They may come in several equity allocations, from an aggressive 57% equity stake all the way to a more conservative 13% equity stake.

Category Group Index: Morningstar 529 Mod 2025 TR USD

Category Index: Morningstar 529 Mod 2025 TR USD

**US 529 Target Enrollment 2021**

Target Enrollment 2021 portfolios are intended for children who will enroll in college 0-2 years from today. They may come in several equity allocations, from an aggressive 42% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2022 TR USD

Category Index: Morningstar 529 Mod 2022 TR USD

**US 529 Target Enrollment 2018**

Target Enrollment 2018 portfolios are intended for children who enrolled in college in 2018. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2019 TR USD

Category Index: Morningstar 529 Mod 2019 TR USD

**US 529 Target Enrollment 2015**

Target Enrollment 2015 portfolios are intended for children who enrolled in college in 2015. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2016 TR USD

Category Index: Morningstar 529 Mod 2016 TR USD

**US 529 Target Enrollment College**

Target Enrollment College portfolios are intended for children who are currently in college. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2013 TR USD

Category Index: Morningstar 529 Mod 2013 TR USD



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