

Frequently Asked Questions

DJIM Target Risk Indices

Multi-Asset, Shariah-Compliant Indices for Global Investors

The Dow Jones Islamic Market (DJIM) Target Risk Indices are a series of multi-asset benchmarks that combine core equity, sukuk, and cash components, allowing market participants to choose an allocation framework that best reflects their investment style.

- 1. What role do the DJIM Target Risk Indices serve in the market?** Use of multi-asset, Shariah-compliant benchmarks has increased significantly in recent years, as Islamic market participants have sought tools to manage risk while generating growth and income. Each index in this series combines core equity, sukuk, and cash components in differing predefined allocations in order to target various risk/return profiles. The indices can serve as performance benchmarks for multi-asset, Shariah-compliant funds or as underlying indices for passive investment vehicles.
- 2. How do the indices work?** The DJIM Target Risk Indices combine various equity indices, the Dow Jones Sukuk Index, and a cash component at fixed allocations. Each series consists of five indices, each targeting a different risk profile (see Exhibit 1).

Exhibit 1: DJIM Target Risk Indices – Target Allocations

INDEX RISK PROFILE	EQUITY (%)	FIXED INCOME (%)	CASH* (%)
Conservative	20	72	8
Moderately Conservative	40	54	6
Moderate	60	36	4
Moderately Aggressive	80	18	2
Aggressive	100	0	0

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes. *Cash represents 10% of the non-equity allocation of each risk profile.

The index weights are reset to the fixed allocations on a quarterly basis, effective after the close of the third Friday in March, June, September, and December—coinciding with the rebalancing schedule for the Dow Jones Islamic Market Indices.

- 3. How are the equity allocations composed?** Beyond asset-class target allocations, the DJIM Target Risk suite offers flexibility to users with varying approaches to the equity allocation. The DJIM Target Risk Series offers a global, market-cap-weighted approach, using developed and emerging market equity indices, as well as the [Dow Jones Sukuk Total Return Index \(ex-Reinvestment\)](#), as shown in Exhibit 2.

Exhibit 2: DJIM Target Risk Series – Component Allocations			
ASSET CLASS	COMPONENT ALLOCATION		COMPONENT
Equities	Relative Float Market Cap		DJIM Developed Markets
	Relative Float Market Cap		DJIM World Emerging Markets
Sukuk	100%	Dow Jones Sukuk Total Return (ex-Reinvestment)	
Cash	100%	0% return calculation to represent a non-interest-bearing holding of cash	

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

A second approach, the DJIM Target Risk (Fixed Allocation) Series, fixes weights between equity components in order to better reflect the typical investment style of U.S.-based investors, while offering further granularity within U.S. equity subsets. Regional equity allocations are fixed at 70% U.S. and 30% international. Exhibit 3 illustrates the full allocation of each component index within the series. There is also a U.S. subset of the fixed allocation series that excludes non-U.S. equity. Each series uses the Dow Jones Sukuk Total Return Index (ex-Reinvestment) in order to reflect exposures to global Shariah-compliant fixed income and allocates to cash in order to further reduce volatility.

Exhibit 3: DJIM Target Risk (Fixed Allocation) Series – Component Allocations			
ASSET CLASS	REGION ALLOCATION	COMPONENT ALLOCATION	COMPONENT
Equities	70% (U.S.)	30%	DJIM U.S. Large-Cap Value
		30%	DJIM U.S. Large-Cap Growth
		15%	DJIM U.S. Mid-Cap Value
		15%	DJIM U.S. Mid-Cap Growth
		5%	DJIM U.S. Small-Cap Value
		5%	DJIM U.S. Small-Cap Growth
	30% (Global ex-U.S)	Relative Market Cap	DJIM World Developed Ex-U.S.
		Relative Market Cap	DJIM World Emerging Markets
Sukuk	-	100%	Dow Jones Sukuk Total Return (ex-Reinvestment)
Cash	-	100%	Cash

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

4. Historically, how has the multi-asset framework affected risk/return characteristics?

Exhibits 4, 5, 6, and 7 illustrate the risk-reduction benefits of adding increasingly larger allocations of the Dow Jones Sukuk Total Return Index (ex-Reinvestment) and cash to equity exposure via the more conservative target risk indices. Further enhancing the risk-reduction benefit of the target risk indices is the diversification benefit driven by the relatively low correlation between the various DJIM equity indices and the Dow Jones Sukuk Index (see Exhibit 8). However, during periods of strong equity market performance, the lower allocation to equities does reduce total returns.

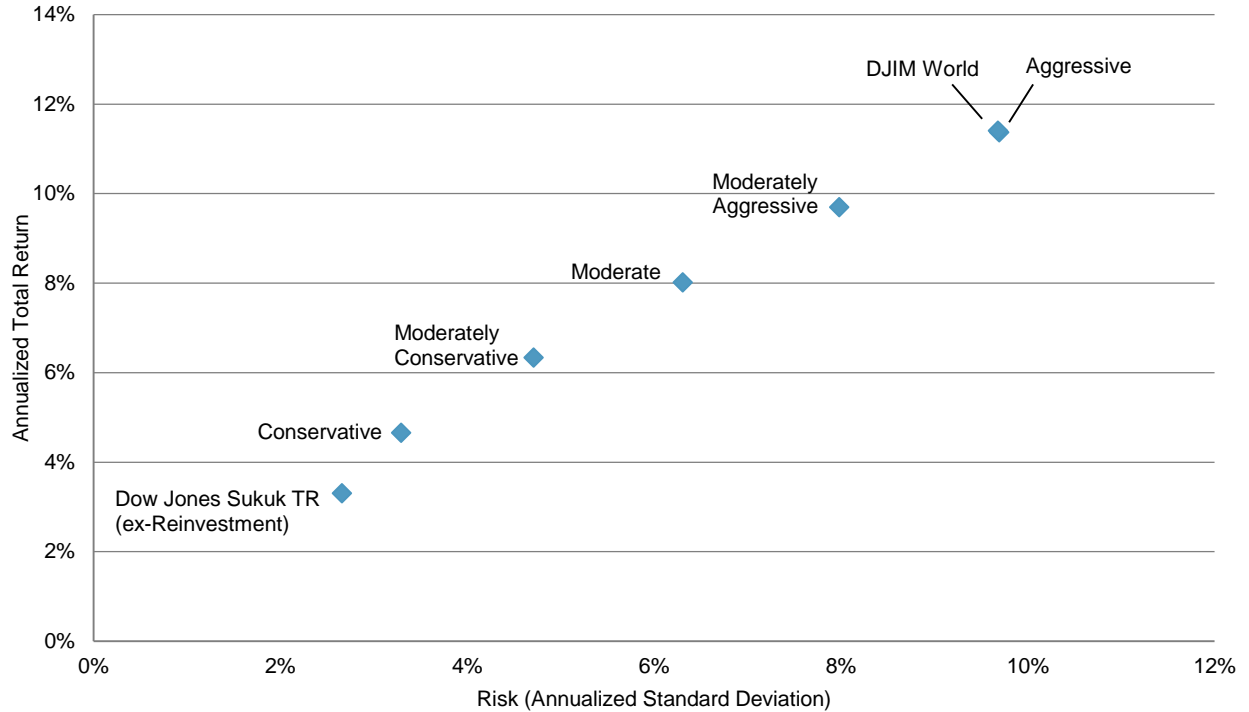
Exhibit 4: Comparative Risk/Return Characteristics – DJIM Target Risk Series							
PERIOD	CONSERVATIVE	MODERATELY CONSERVATIVE	MODERATE	MODERATELY AGGRESSIVE	AGGRESSIVE	DJIM WORLD	DOW JONES SUKUK TR (EX-REINVESTMENT)
RETURNS (%)							
1-Year	8.3	12.8	17.4	22.2	27.1	27.0	4.5
3-Year	4.4	5.8	7.3	8.7	10.1	10.0	3.3
5-Year	4.7	6.3	8.0	9.7	11.4	11.4	3.3
10-Year	4.4	4.9	5.3	5.6	5.9	6.0	4.2
ANNUALIZED RISK (%)							
3-Year	3.1	4.7	6.5	8.4	10.3	10.3	2.3
5-Year	3.3	4.7	6.3	8.0	9.7	9.7	2.7
10-Year	7.7	9.3	11.3	13.6	16.0	16.0	7.6
RISK-ADJUSTED RETURN							
3-Year	1.4	1.2	1.1	1.0	1.0	1.0	1.4
5-Year	1.4	1.3	1.3	1.2	1.2	1.2	1.2
10-Year	0.6	0.5	0.5	0.4	0.4	0.4	0.6
MAXIMUM DRAWDOWN (%)							
3-Year	-2.7	-4.6	-6.7	-8.7	-10.7	-10.7	-2.2
5-Year	-2.7	-4.6	-6.7	-8.7	-10.7	-10.7	-3.3
10-Year	-25.3	-31.2	-36.7	-41.8	-46.6	-46.6	-21.2

Source: S&P Dow Jones Indices LLC. Index performance based on total return in USD. Data from Dec. 31, 2007, to Dec. 31, 2017. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 5: Comparative Risk/Return Characteristics – DJIM Target Risk (Fixed Allocation) Series							
PERIOD	CONSERVATIVE	MODERATELY CONSERVATIVE	MODERATE	MODERATELY AGGRESSIVE	AGGRESSIVE	DJIM WORLD	DOW JONES SUKUK TR (EX-REINVESTMENT)
RETURNS (%)							
1-Year	8.2	12.5	17.0	21.5	26.3	27.0	4.5
3-Year	4.5	6.1	7.6	9.1	10.6	10.0	3.3
5-Year	4.9	6.9	8.8	10.8	12.8	11.4	3.3
10-Year	4.6	5.4	6.1	6.7	7.2	6.0	4.2
ANNUALIZED RISK (%)							
3-Year	3.0	4.7	6.5	8.4	10.4	10.3	2.3
5-Year	3.3	4.7	6.3	8.1	9.8	9.7	2.7
10-Year	7.8	9.3	11.3	13.6	16.0	16.0	7.6
RISK-ADJUSTED RETURN							
3-Year	1.5	1.3	1.2	1.1	1.0	1.0	1.4
5-Year	1.5	1.5	1.4	1.3	1.3	1.2	1.2
10-Year	0.6	0.6	0.5	0.5	0.5	0.4	0.6
MAXIMUM DRAWDOWN (%)							
3-Year	-2.7	-4.8	-6.8	-8.8	-10.8	-10.7	-2.2
5-Year	-2.7	-4.8	-6.8	-8.8	-10.8	-10.7	-3.3
10-Year	-25.4	-31.4	-37.0	-42.2	-47.1	-46.6	-21.2

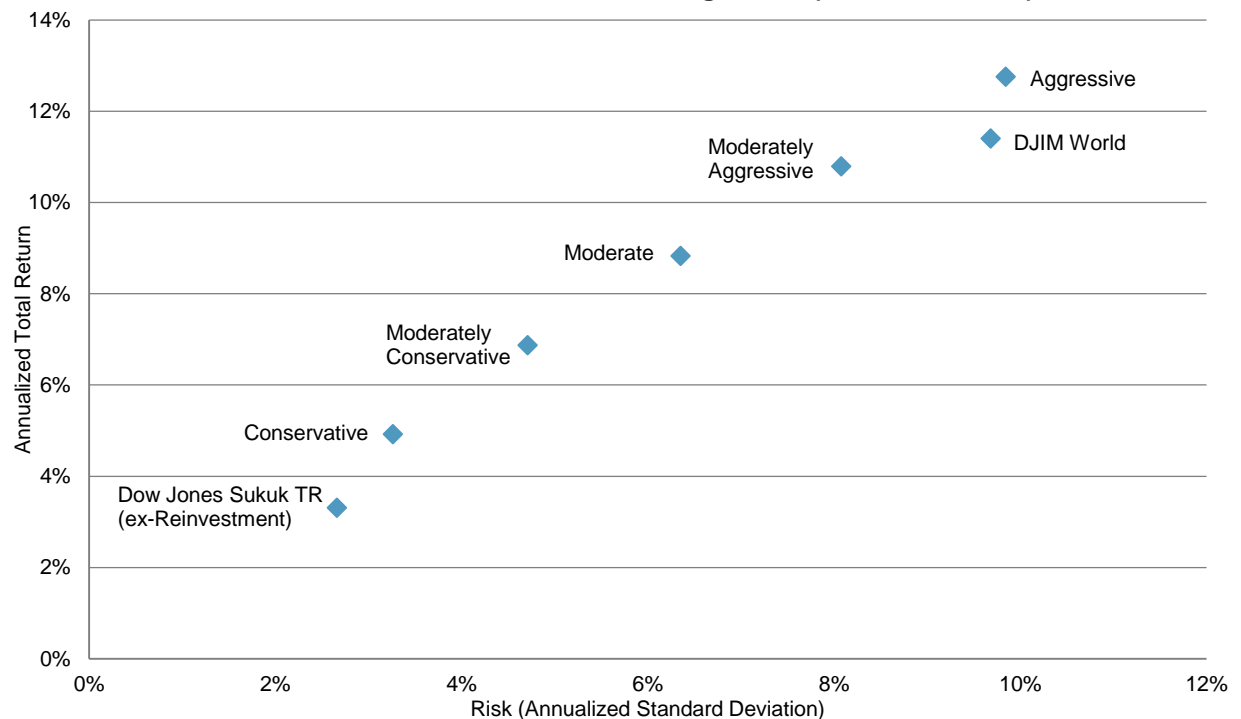
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Exhibit 6: Five-Year Risk/Return Scatter Plot – DJIM Target Risk Series



Source: S&P Dow Jones Indices LLC. Index performance based on total return in USD. Data from Dec. 31, 2012, to Dec. 31, 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 7: Five-Year Risk/Return Scatter Plot – DJIM Target Risk (Fixed Allocation) Series



Source: S&P Dow Jones Indices LLC. Index performance based on total return in USD. Past performance is no guarantee of future results. Data from Dec. 31, 2012, to Dec. 31, 2017. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 8: Comparative Correlations				
5-YEAR CORRELATION	DJIM U.S. TARGET RISK	DJIM WORLD DEVELOPED EX-U.S.	DJIM WORLD EMERGING MARKETS	DOW JONES SUKUK TR EX-REINVESTMENT
DJIM U.S. TARGET RISK	1	-	-	-
DJIM WORLD DEVELOPED EX-U.S.	0.81	1	-	-
DJIM WORLD EMERGING MARKETS	0.67	0.79	1	-
DOW JONES SUKUK TR EX-REINVESTMENT	0.35	0.52	0.60	1

Source: S&P Dow Jones Indices LLC. Index performance based on total return in USD. Past performance is no guarantee of future results. Data from Dec. 31, 2012, to Dec. 31, 2017. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

5. What are the key benefits of the DJIM Target Risk suite?

Lower Risk: Adding less volatile sukuk and cash to DJIM equity indices led to a reduction in total portfolio volatility and lower drawdowns for the indices over the period studied.

Diversification: The relatively low correlations between DJIM equity indices and sukuk may lead to further risk/return enhancements due to the benefits of diversification.

Flexibility: Five indices are available within each series, offering allocations appropriate for various risk profiles. The fixed allocation series offers set weights between various equity subindices in order to provide additional granularity.

Shariah Compliance: The DJIM Indices and Dow Jones Sukuk Total Return Index (ex-Reinvestment) are fully Shariah compliant and are built from several of the most widely used equity and sukuk indices available in the market.

PERFORMANCE DISCLOSURE

The Dow Jones Islamic Market Target Risk Conservative Index (USD), Dow Jones Islamic Market Target Risk Moderately Conservative Index (USD), Dow Jones Islamic Market Target Risk Moderate Index (USD), Dow Jones Islamic Market Target Risk Moderately Aggressive Index (USD), Dow Jones Islamic Market Target Risk (Fixed Allocation) Conservative Index (USD), Dow Jones Islamic Market Target Risk (Fixed Allocation) Moderately Conservative Index (USD), Dow Jones Islamic Market Target Risk (Fixed Allocation) Moderate Index (USD), Dow Jones Islamic Market Target Risk (Fixed Allocation) Moderately Aggressive Index (USD), and Dow Jones Islamic Market Target Risk (Fixed Allocation) Aggressive Index (USD) were launched on December 27, 2017. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. Complete index methodology details are available at www.spdji.com.

S&P Dow Jones Indices 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 at a fixed value for calculation purposes. The Launch Date designates the date upon which 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 Dow Jones Indices 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 datafeed 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.

Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at www.spdji.com 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.

Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

The Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices LLC maintains the Index and calculates the Index levels and performance shown or discussed, but does not manage actual assets. 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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