

RetirementIndex Methodology Overview

The RetirementIndex is a set of portfolio indices that represent the consensus portfolio management style of the largest target date fund managers.

Objective

The RetirementIndex tracks the consensus portfolio management style behavior of the largest Target Date Fund and Retirement Income Fund managers. The underlying indicies comprising the RetirementIndex are investable only to the extent that investment vehicles are available which can accurately track each index. The indices provide varied levels of exposure to equity, fixed income, and cash sub-indices.

The RetirementIndex Portfolio consists of:

- RetirementIndex Retiree
- RetirementIndex 2005
- RetirementIndex 2010
- RetirementIndex 2015
- RetirementIndex 2020
- RetirementIndex 2025
- RetirementIndex 2030
- RetirementIndex 2035
- RetirementIndex 2040
- RetirementIndex 2045
- RetirementIndex 2050
- RetirementIndex 2055
- RetirementIndex 2060
- RetirementIndex 2065

Implementation

The RetirementIndex are based on an innovative methodology for deriving an industry asset allocation glide path for the Target Date Funds and Retirement Income Fund market. The industry glide path has a decreasing level of equity exposure as the target retirement date approaches and reaches a terminal equity level about 20 years after maturity. The asset class sub-indices are chosen to provide an exhaustive, mutually exclusive representation of the systemic risk exposure of the major Target Date Fund and Retirement Income Fund managers. The RetirementIndex is reconstituted each year to take into account changes in the industry consensus. Performance is updated on a quarterly basis.

Target Date Manager Selection

The RetirementIndex is based on select fund families that are representative of the target date fund (TDF) industry. TDF fund families qualify for initial inclusion in the index if their funds have over \$100 million in assets under management (AUM), at least including four funds with a trailing 36-month return history.

Glide Path Style Analysis

Glide Path Style Analysis, ("GPSA") extends returns-based style analysis (RBSA) to accommodate portfolio allocations that change as a target date approaches. GPSA uses the return history of each fund in a target date family to model an asset allocation that replicates the fund's return behavior. It first estimates a time dependent

style behavior through a rolling window RBSA for all funds in a TDF family. It then fits a generalized logistic function to the rolling window RBSA asset allocations to obtain a smooth estimate of a glide path. The GPSA process is performed with a set of asset class sub-indices. The GPSA process finds the smallest set of statistically significant sub-indices that explains the historical returns of each fund family.

Methodology Changes

In 2015, the RetirementIndex methodology changed. The glide path was extended to continue to glide down after retirement through late age. To achieve this, we created the NextCapital RetireeIndex, which tracks the consensus asset allocation of fixed-mix Retirement Income Funds. Any Retirement Income Fund that is part of a TDF family already eligible for inclusion in the RetirementIndex is eligible for inclusion in the RetireeIndex. For a standalone Retirement Income Fund to qualify for initial inclusion, it must have over \$10 million in AUM.

Index Performance

Performance analysis shows a statistical comparison of the RetirementIndex and TDF industry performance. We retain historical performance from previous quarter and resume modeling rebalancing on current quarter.

RetirementIndex Index Disclosures

The NextCapital RetirementIndex is maintained by NextCapital Advisers, Inc., ("NextCapital") which designs and publishes indices for use in portfolio benchmarking and portfolio management. While NextCapital publishes descriptions of what the RetirementIndex is designed to achieve, NextCapital does not provide any warranty or accept any liability in relation to quality, accuracy or completeness of data with respect to the RetirementIndex and does not guarantee that the RetirementIndex will not deviate from its stated methodology. NextCapital does not provide any warranty or guarantee for RetirementIndex errors.

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Investing involves risk, including the possible loss of principal and fluctuation of value. Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. The RetirementIndex does not guarantee future income or protect against loss of principal. There can be no assurance that an investment strategy based on the RetirementIndex will be successful. Indices are unmanaged and one cannot invest directly in an index.

In preparing this document, NextCapital has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. The respective asset class indices of the portfolio are rebalanced to the historic quarterly target asset allocation weights at close-of-day prices, on the last trading day of the month following the public release of the index portfolios each quarter.

The RetirementIndex, data, and methodology are subject to change. Data shown is for informational purposes only and does not represent an actual account. NextCapital rebalances and calculates the performance of the RetirementIndex on a quarterly basis. Results may vary over time. The RetirementIndex does not reflect the fees, expenses and cost that may be associated with an index fund or any other retirement income product that an individual may purchase, or any assumption that such a product will be available for purchase at the time of retirement. Actual investment outcomes may vary. Although the RetirementIndex is structured to represent the broad consensus of how portfolios could be allocated to plan for a successful retirement, this estimate is not a guarantee. A number of factors may contribute to variations in retirement income.

Investment products are: Not FDIC-Insured; May Lose Value; Provide No Bank Guarantee.