

May 19, 2025

Consultation on Morningstar Exponential Technologies Index

Morningstar Indexes is considering a few methodology changes to the Morningstar Exponential Technologies Index, including moving to modified float-adjusted market capitalization weighting (from equal weighting), adopting a quarterly rebalancing schedule (from annual), and updating the themes represented. The change in themes would also impact the following indexes in the Exponential Technologies family, but there is no proposed change to their weighting approach or rebalancing schedule:

- Morningstar Exponential Technologies Moat Focus
- Morningstar Asia Exponential Technologies
- Morningstar Asia Exponential Technologies Focus
- Morningstar Exponential Technologies ESG Screened Select
- Morningstar Exponential Technologies ESG Screened Target Volatility 7% Select

Market Capitalization Weighting

The proposed weighting change for Morningstar Exponential Technologies Index is intended to better harness the information contained in market prices, reduce exposure to small-cap stocks and increase investment capacity.

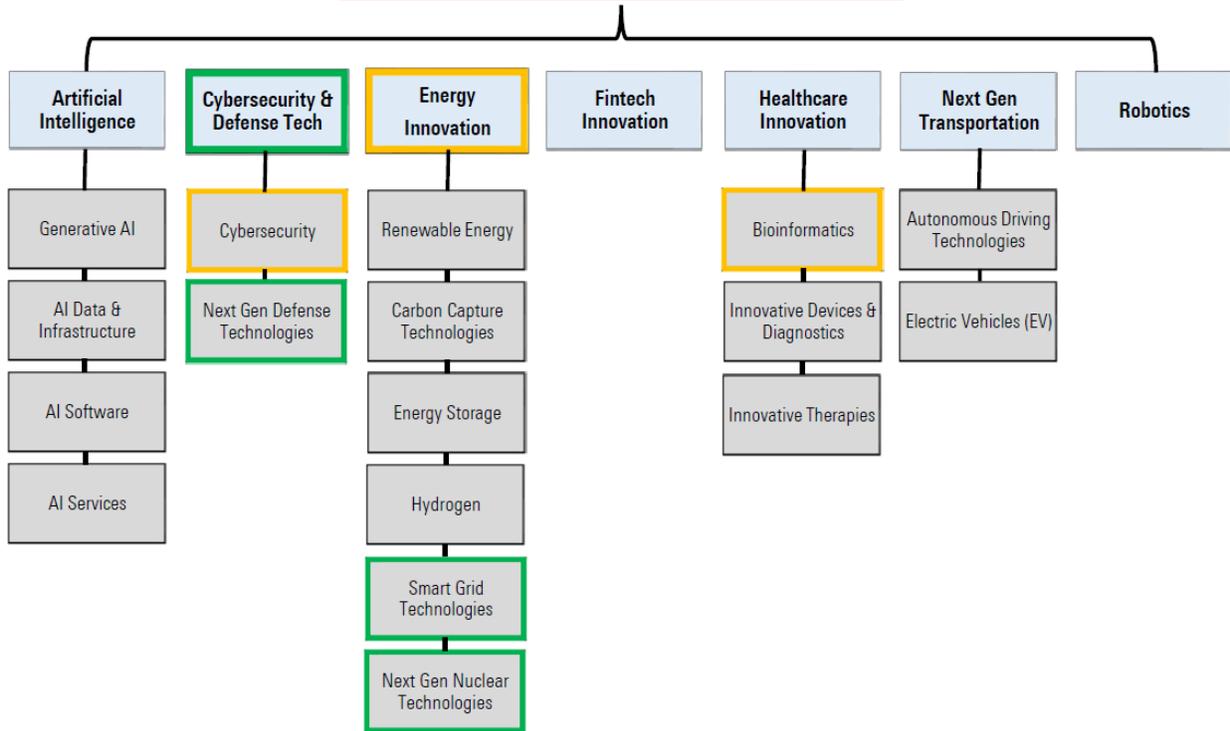
Rebalance Schedule & Capping

To limit concentration risk, at each quarterly rebalance, individual stock weightings would be capped at 4%, and a daily check would be implemented to ensure stocks above 5% do not sum to more than 25%. Additionally, core stock exposure to each theme would be capped at 25%, where the aggregate weight of the stocks that receive a score of 2 or higher for a theme would be counted toward core exposure to that theme. The move to quarterly rebalancing is intended to enforce these caps more frequently than the current annual rebalance cycle allows. The index would still follow an annual reconstitution and thematic scoring review cycle.

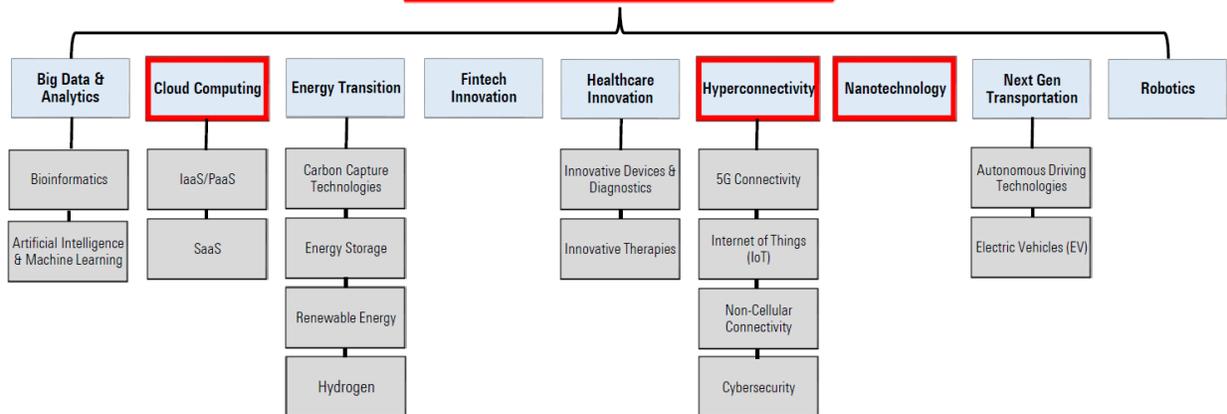
Target Themes

Among the proposed theme changes, Artificial Intelligence would replace Big Data & Analytics, Bioinformatics would be moved under the Healthcare Innovation theme, Cybersecurity & Defense Tech would replace Hyperconnectivity, and Energy Transition would be renamed Energy Innovation, with Smart Grid Technologies and Next Gen Nuclear Technologies added as new sub-themes under Energy Innovation. Additionally, Nanotechnology and Cloud Computing would be removed from the index. These changes are designed to keep the index aligned with distinctive transformational technologies. The exhibits below summarize the proposed changes to the themes represented in the index.

Proposed Enhancement (7 Themes)



Status Quo (9 Themes)



We are considering implementing these changes in two stages, the first after the close of September 19, 2025, through a one-time, off-cycle reconstitution, and the remainder at the regularly scheduled annual reconstitution in December 2025. This is intended to spread out the one-time turnover impact from these changes.

There would be no changes to the historical performance record. The performance summary and latest hypothetical portfolio snapshots based on a simulation to gauge the potential impact of these changes are available [here](#).

We are soliciting client feedback on this proposal.

Submit your responses and questions

Responses to this consultation can be submitted [here](#).

General questions about the consultation may also be sent to indexes@morningstar.com.

Key dates

- **Consultation:** The consultation will be open for response from May 19 to June 2, 2025.
- **Decision announcement:** Final decisions will be announced by June 6, 2025.
- **Proposed implementation:** Two stages: After market close on September 19, 2025, and after the market close on December 19, 2025.

Questions

1. Should the Morningstar Exponential Technologies Index move to float market cap weighting with the proposed weighting constraints (4% security cap, daily 5/25% rule, 25% cap on core stock exposure to each theme)?
 - a. Yes
 - b. No, stick with the current equal weighting approach.
 - c. Other, please explain.
2. Should the Morningstar Exponential Technologies Index be rebalanced quarterly, or only at the annual reconstitution?
 - a. Yes, move to a quarterly rebalancing schedule.
 - b. No, only rebalance during the annual reconstitution.
 - c. Other, please explain.
3. Should Morningstar Indexes make the proposed changes to the themes the index targets?
 - a. Yes
 - b. No
 - c. Other, please explain.
4. If Morningstar Indexes adopts these changes, how should they rolled out?
 - a. Through a two-stage transition, where roughly half of the weight changes are made after the close of Friday, September 19, 2025, and the remainder implemented at the December reconstitution.
 - b. All at once at the next regularly scheduled reconstitution after the close of Friday, December 19, 2025.
 - c. Other, please explain.
5. What other factors should Morningstar Indexes consider in making these decisions?

About Morningstar Indexes

Morningstar Indexes has been designing modern solutions for 20 years, but what makes us truly unique has been more than three decades in development. Our rich history began in 1984, when Morningstar was founded on a promise to empower investors with data and research that is independent and objective. Over time, our collection of data has expanded considerably—and so has its application. Today, Morningstar Indexes draws on unique IP to unlock an extensive range of emerging opportunities for investors of every kind, while providing a robust institutional beta platform for core investing.

Contact Us

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