

June 6, 2025

Morningstar Exponential Technologies Index Consultation Results

Morningstar Indexes is updating the methodology for the Morningstar Exponential Technologies Index, following a [consultation](#) on this topic. Among the changes, the index will move to a modified float-adjusted market capitalization weighting scheme (from equal weighting), adopt a quarterly rebalancing schedule (from annual), and target an updated set of themes. These enhancements are intended to better harness the information contained in market prices, increase investment capacity, and keep the index aligned with distinctive transformational technologies.

The theme changes will also impact the following indexes in the Morningstar Exponential Technologies Index family. This is covered by the existing methodology, which allows for periodic changes to the target themes. There are no changes to the weighting framework or rebalancing schedule for the indexes listed below.

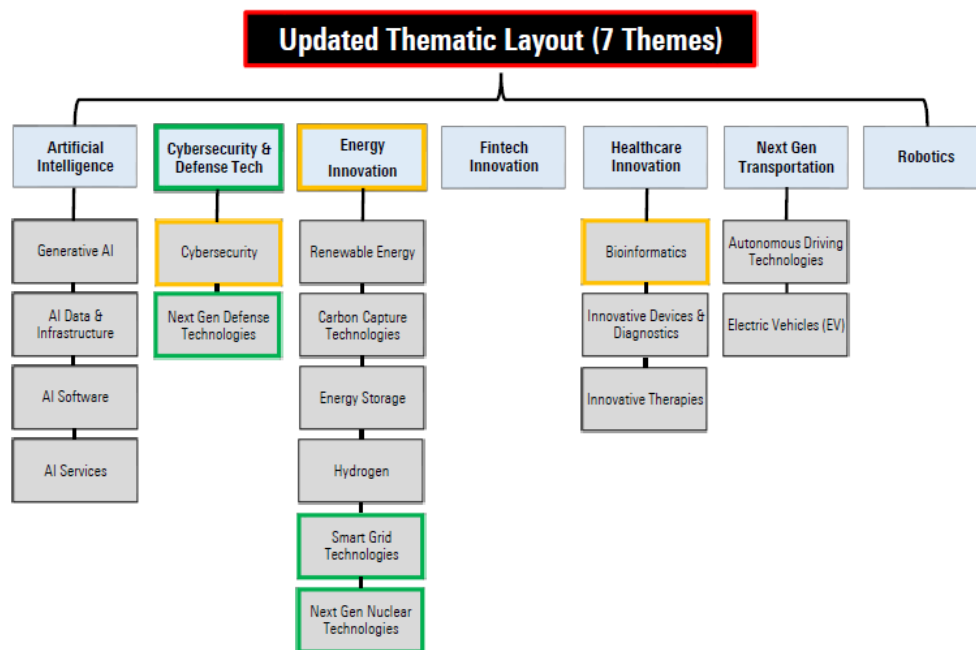
- Morningstar Asia Exponential Technologies
- Morningstar Asia Exponential Technologies Focus
- Morningstar Exponential Technologies ESG Screened Select
- Morningstar Exponential Technologies ESG Screened Target Volatility 7% Select
- Morningstar Exponential Technologies Moat Focus

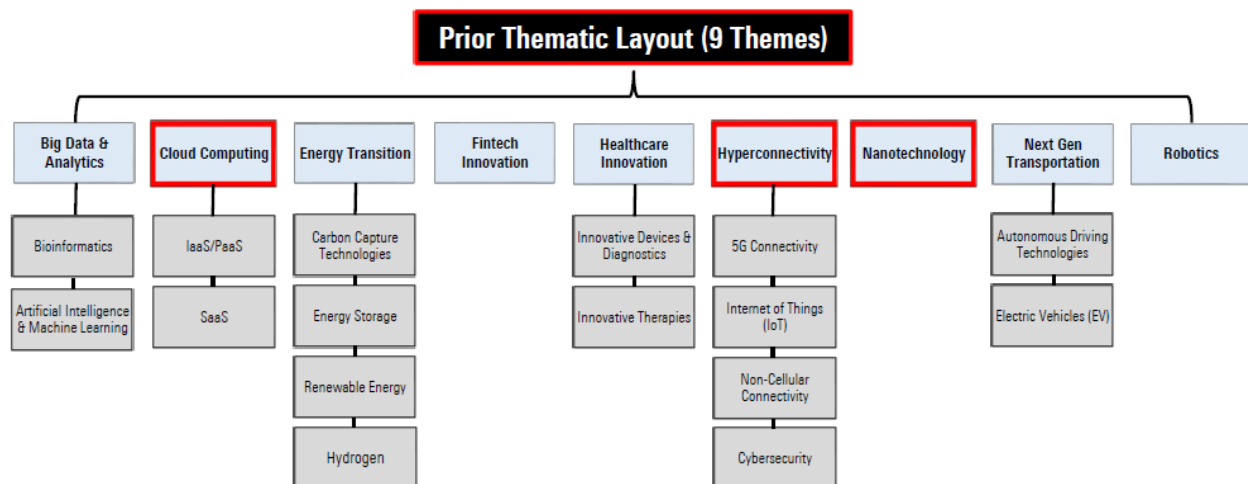
Modified Market Cap Weighting

The Morningstar Exponential Technologies Index will weight constituents in proportion to their float market capitalization, subject to a 4% cap. Additionally, core stock exposure to each theme (defined as stocks that receive a 2 or higher on each theme) will be capped at 25%. These caps will be enforced on the new quarterly rebalance schedule, which will be effective after the third Friday of March, June, September, and December. Additionally, a daily check will be implemented to ensure stocks above 5% do not sum to more than 25%. If that threshold is breached, the weightings will be adjusted after the next day's close (reflected in the open on T+2) to bring the constituents under that threshold.

Target Themes

Among the theme changes, Artificial Intelligence will replace Big Data & Analytics, Bioinformatics will be moved under the Healthcare Innovation theme, Cybersecurity & Defense Tech will replace Hyperconnectivity, and Energy Transition will 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 will be removed from the index. The exhibits below summarize the changes to the target themes.





Implementation

These changes will be implemented in two steps. The first will occur after the close of September 19, 2025, through a one-time, off-cycle reconstitution, where the portfolio will be divided into two equal sleeves and only one will be updated. This will move the index approximately halfway to the target. The full portfolio will be reconstituted again at the regularly scheduled annual reconstitution after the close of Friday, December 19, 2025. During the interim period between the two reconstitutions, the index may include more than 200 stocks. This two-step transition is intended to spread out the one-time turnover impact from these changes.

There will be no changes to the historical performance record. The updated rulebook will be posted to the Morningstar Indexes website before the changes take effect in September 2025.

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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