

Morningstar® Style IndexesSM

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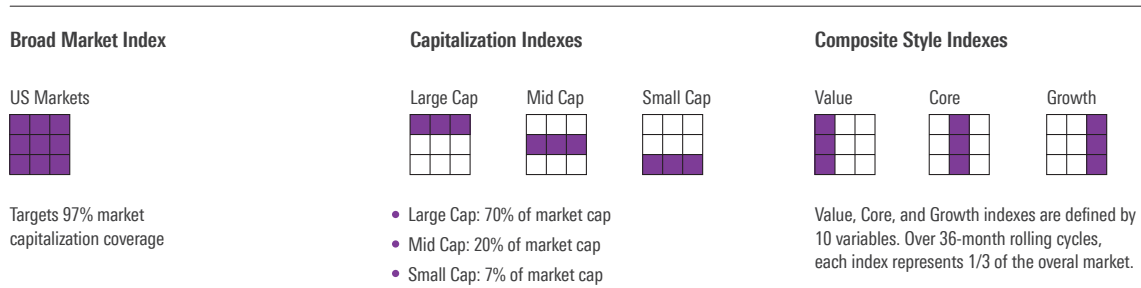
Contact us

indexes@morningstar.com

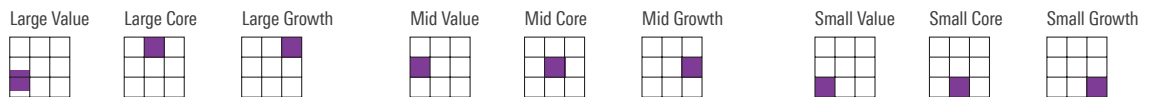
Since its creation in 1992, the Morningstar Style Box has served as a reference point for investors. The style box characterizes investments by their fundamental attributes, dividing the equity market along dimensions of size and valuation. Investors use the style box for diversification, asset allocation, and performance evaluation.

The indexes provide an accurate and consistent representation of the US market through the enduring lens of style, facilitating market monitoring and performance benchmarking. Index constituents are drawn from the Morningstar US Market Index, which targets representation of 97% of the investable US equity market.

The Morningstar Style Indexes consists of 16 indexes that track the US equity market by capitalization and investment style to create an integrated system. The indexes were built using a comprehensive and non-overlapping approach based on the methodology of Morningstar Style Box.



Style Indexes



Style scores

All eligible stocks are assigned a composite value/growth style score, based on 10 distinct historical and forward-looking variables (five for value and five for growth). Value and growth scores are combined so that each account for one half of a stock's final style score. Stocks are then assigned to pure

growth, pure value, or a blend based on the relative strength of their style score. Each group comprises roughly one third of the market capitalization within its respective size segment.

Style scores

1. Determine a Value Score

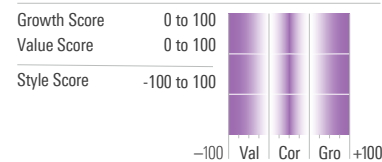
Factors		Weight %
Forward-Looking	Price-to-Projected Earnings	50.00
Historical	Price-to-Book	12.5
	Price-to-Sales	12.5
	Price-to-Cash-Flow	12.5
	Dividend Yield	12.5

2. Determine a Growth Score

Factors		Weight %
Forward-Looking	Long-Term Projected Earnings Growth	50.00
Historical	Earnings Growth	12.5
	Sales Growth	12.5
	Cash Flow Growth	12.5
	Book Value Growth	12.5

3. Determine a Style Score

Subtract the Value Score from the Growth Score.



Portfolio construction

Pure value and pure growth stocks are assigned to the value and growth indexes and weighted in proportion to their float adjusted market cap. Stocks that fall in the middle of the value-growth spectrum are assigned to the core index within a given capitalization band.

A 4-20-20 capping is applied at the company level to ensure diversification requirements are met. At each reconstitution,

individual company weights cannot exceed 20%, and constituents greater than 4% in weight cannot combine to over 20% of the portfolio.

Reconstitution and rebalancing

The Morningstar Style Indexes are reconstituted semi-annually in June and December and rebalanced quarterly. Immediate rebalancing occurs if two constituents merge or if a company's free-float changes by 10% or more.

Construction process



Starting universe

- Morningstar US Market Index
- Covers stocks representing the top 97% of the investable market

Style assignment

- Each stock is assigned a value and growth orientation score between 0 and 100.
- The net style orientation score is calculated by subtracting a stock's value score from its growth score.
- The result can range from 100 (for low-yield, extremely growth-oriented stocks) to negative 100 (high-yield, low-growth stocks).

Portfolio construction

- Stocks are ranked by their style orientation score and assigned to large/mid/small value/growth/core indexes.
- A 4-20-20 cap is applied at the company level.

Morningstar
Style Indexes

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Please visit indexes.morningstar.com for more information.