

Morningstar® US Dividend Growth IndexSM

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While dividend income investing strategies tend to focus on generating the highest possible income stream, dividend growth strategies are typically geared toward stocks that have exhibited consistent dividend growth. Stocks with a history of consistently increasing their dividends can present compelling investment opportunities to investors, as these companies are typically high-quality firms with durable competitive advantages, histories of strong profitability & growth, and management teams that are committed to returning profits to shareholders.

The Morningstar US Dividend Growth Index is designed to target dividend-paying stocks with a record of consistent dividend growth and the capacity to sustain that growth. To be eligible for inclusion, companies must have increased their dividend payments for five or more consecutive years. Forward-looking screens are applied to favor companies with the strength to continue their dividend growth.

Starting universe

The Morningstar US Dividend Growth Index derives its constituents from the Morningstar US Market Index, which represents 97% of the investable market capitalization of the US equity market.

Eligibility requirements

Eligibility requirements for the Morningstar US Dividend Growth Index are as follows:

- Must exhibit five consecutive years of dividend growth¹
- Must have a positive consensus earnings forecast and payout ratio of less than 75%
- REITs are excluded

In addition, a company's indicated dividend yield must not be in the top 10% of the US eligible universe, as companies with higher yields tend to reinvest less to fuel future growth and have less room to raise their dividend payments. Existing constituents that fall into this category are allowed to remain in the index if they have recently bought back shares and have not decreased their dividend payment.

Portfolio construction

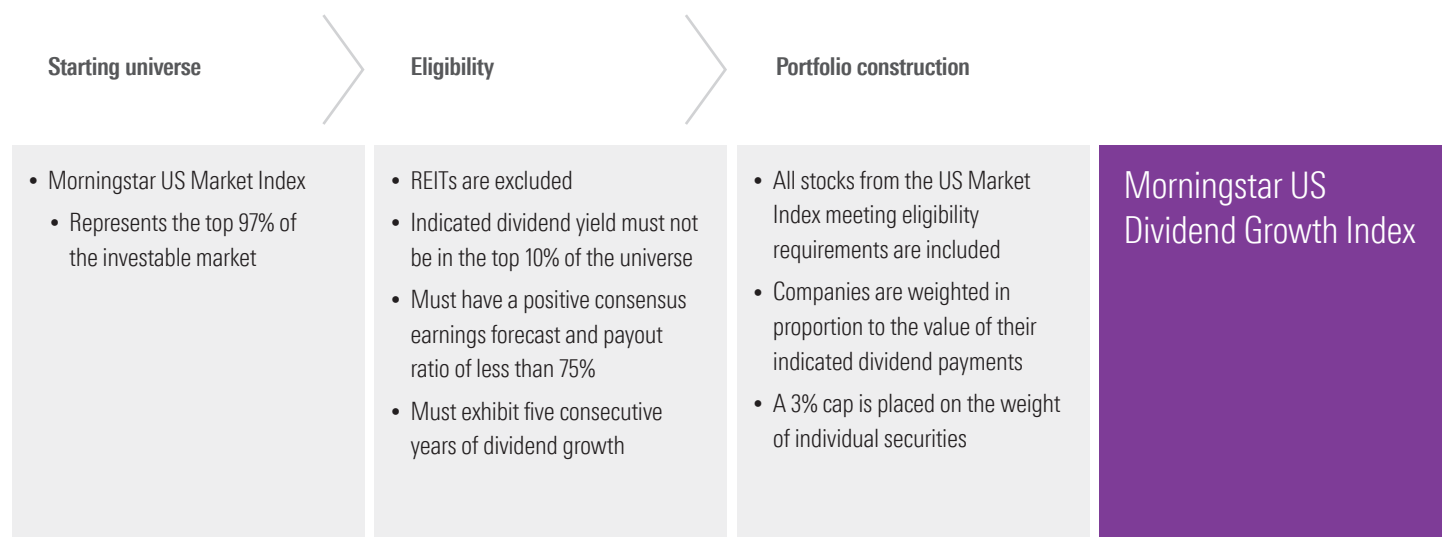
All stocks from the Morningstar US Market Index that meet the eligibility requirements are included. Index constituents are weighted in proportion to their indicated dividends, which tilts the portfolio toward larger and higher-yielding stocks. Individual constituent weights are capped at 3% to improve diversification.

Reconstitution and rebalancing

The index is reconstituted annually in December and rebalanced quarterly.

¹Year-over-year growth in either the indicated dividend or trailing 12-month dividend payout counts toward the five-year requirement. The same metric does not need to increase all five years.

Construction process



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.