

Morningstar Indexes

July 24, 2024

1 Week Reminder: Consultation on Morningstar Indexes Fixed Income Annual Market Classification Review

As part of Morningstar Indexes' annual fixed income market classification review, two countries have been identified as candidates for a change in market classification status. The proposed updates are expected to result in newly eligible securities for certain Morningstar Indexes within the Emerging Markets series. We would like to solicit feedback from clients and key market participants on the proposed changes. Full details, including the countries, eligible securities, and impacted indexes are described in this consultation.

Markets Under Review

- **Uzbekistan** - Potential reclassification to Emerging Market from Unclassified
- **Ukraine** – Potential reclassification to Unclassified from Emerging Market

Submit Your Responses and Questions

Responses to the Fixed Income Annual Market Classification Review 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 28 to July 31, 2024.
- **Decision announcement:** Final decisions will be announced by August 12, 2024.
- **Implementation:** Changes will be implemented as of the September 2024 portfolios.

Classification and Eligibility Criteria

Morningstar Indexes classifies countries into two major classifications: Developed and Emerging Markets.

Countries not meeting the criteria for Developed or Emerging status are considered "Unclassified." Only issuers from countries classified as Emerging are eligible to be included in Morningstar Indexes' Fixed Income Emerging Markets Index families.

Assignment of Developed or Emerging classification status for the Morningstar Fixed Income Indexes is determined following a detailed review of a range of quantitative and qualitative factors. Such factors include (but are not limited to):

- Sovereign credit rating and credit rating of securities
- World Bank income classification
- IMF economy classification
- Published auction schedule
- Adequate size and liquidity of index-eligible securities
- Regulatory environment and investor accessibility

Proposed Country Classification Updates

The list below outlines the proposed and current classification status of two countries. One country is proposed to change status from Unclassified to Emerging. One country is proposed to change status from Emerging to Unclassified.

List of Proposed Country Classification Updates

	<i>Proposed classification (Current classification)</i>	World Bank / IMF Classification	Sovereign Rating	Eligible outstanding* (US\$ Millions, Dec 31, 2023)	Eligible Indexes**
Ukraine	<i>Unclassified</i> (Emerging)	Lower-Middle / Emerging Market and Middle-Income	CCC-	Sovereign: \$16,348 M Corporate: \$4,811 M	IMMC, IMMT, IMMR, IMMH, IMMD
Uzbekistan	<i>Emerging</i> (Unclassified)	Lower-Middle / Low-Income Developing	BB-	Sovereign: \$2,350 M Corporate: \$1,600 M	IMMC, IMMT, IMMR, IMMH, IMMD

Refer to appendix for complete listing of Morningstar Indexes Fixed Income country classifications

*Eligible outstanding: The amount of outstanding debt that under the proposed classification would have been eligible and included in certain indexes as of December 31, 2023. Eligible outstanding will vary each month according to market issuance.

**List of eligible indexes: The indexes for which bonds from the proposed classification updates would have been eligible and included as of December 31, 2023. Depending on market issuance and meeting other eligibility criteria, issuers from the above markets may or may not have eligible bonds in the five Emerging Markets indexes below:

- IMMC: Morningstar Emerging Markets Composite Bond
- IMMT: Morningstar Emerging Markets Sovereign Bond
- IMMR: Morningstar Emerging Markets Corporate Bond
- IMMD: Morningstar Emerging Markets Corporate Bond 10% China Capped
- IMMH: Morningstar Emerging Markets High Yield Bond

Required: Questions for Clients and Key Market Participants

1. Do you/your firm agree with Morningstar Indexes' recommendation for the classification of the following countries be revised from Unclassified to Emerging?

Uzbekistan	Agree	Disagree	No opinion
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2. Do you have any other comments or feedback regarding the potential reclassification of Uzbekistan?
3. Do you/your firm agree with Morningstar Indexes' recommendation for the classification of the following country be revised from Emerging to Unclassified?

Ukraine	Agree	Disagree	No opinion
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4. Do you have any other comments or feedback regarding the potential reclassification of Ukraine?

Appendix: Supporting Information

Market Classification Status (Current)

Country	Current Market Classification
Afghanistan	Unclassified
Aland Islands	Unclassified
Albania	Unclassified
Algeria	Unclassified
American Samoa	Unclassified
Andorra	Unclassified
Angola	Unclassified
Anguilla	Unclassified
Antigua and Barbuda	Unclassified
Argentina	Emerging Market
Armenia	Emerging Market
Aruba	Unclassified
Australia	Developed Market
Austria	Developed Market
Azerbaijan	Emerging Market
Bahamas	Unclassified
Bahrain	Emerging Market
Bangladesh	Emerging Market
Barbados	Unclassified
Belarus	Unclassified
Belgium	Developed Market
Central African Republic	Unclassified
Chad	Unclassified
Channel Islands	Unclassified
Chile	Emerging Market
China	Emerging Market
Christmas Island	Unclassified
Cocos (Keeling) Islands	Unclassified
Colombia	Emerging Market
Comoros	Unclassified
Congo (Dem. Rep. of the)	Unclassified
Congo (Rep. of)	Unclassified
Cook Islands	Unclassified
Costa Rica	Emerging Market
Croatia	Emerging Market

Country	Current Market Classification
Belize	Unclassified
Benin	Unclassified
Bermuda	Unclassified
Bhutan	Unclassified
Bolivia	Unclassified
Bonaire St. Eust. Saba	Unclassified
Bosnia and Herzegovina	Emerging Market
Botswana	Unclassified
Bouvet Island	Unclassified
Brazil	Emerging Market
Brit. Indian Ocean Terr.	Unclassified
British Virgin Islands	Unclassified
Brunei	Unclassified
Bulgaria	Emerging Market
Burkina Faso	Unclassified
Burundi	Unclassified
Cambodia	Unclassified
Cameroon	Unclassified
Canada	Developed Market
Cape Verde	Unclassified
Cayman Islands	Unclassified
El Salvador	Emerging Market
Equatorial Guinea	Unclassified
Eritrea	Unclassified
Estonia	Developed Market
Ethiopia	Unclassified
Falkland Islands	Unclassified
Faroe Islands	Unclassified
Fiji	Unclassified
Finland	Developed Market
France	Developed Market
French Guiana	Unclassified
French Polynesia	Unclassified
French Southern Terr.	Unclassified
Gabon	Emerging Market

Cuba	Unclassified
Curacao	Unclassified
Cyprus	Emerging Market
Czech Republic	Emerging Market
Denmark	Developed Market
Djibouti	Unclassified
Dominican Republic	Emerging Market
Dominica	Unclassified
Gibraltar	Unclassified
Ecuador	Emerging Market
Egypt	Emerging Market
Guinea	Unclassified
Guinea-Bissau	Unclassified
Guyana	Unclassified
Haiti	Unclassified
Heard & McDonald Islands	Unclassified
Honduras	Emerging Market
Hong Kong	Developed Market
Hungary	Emerging Market
Iceland	Developed Market
India	Emerging Market
Indonesia	Emerging Market
Iran	Unclassified
Iraq	Unclassified
Ireland	Developed Market
Isle of Man	Unclassified
Israel	Emerging Market
Italy	Developed Market
Ivory Coast	Emerging Market
Jamaica	Emerging Market
Japan	Developed Market
Jersey	Unclassified
Jordan	Emerging Market
Kazakhstan	Emerging Market
Kenya	Emerging Market
Kiribati	Unclassified
Mongolia	Unclassified
Montenegro	Unclassified
Montserrat	Unclassified
Morocco	Emerging Market

Gambia	Unclassified
Georgia	Emerging Market
Germany	Developed Market
Ghana	Emerging Market
Greece	Emerging Market
Greenland	Unclassified
Grenada	Unclassified
Guadeloupe	Unclassified
Guam	Unclassified
Guatemala	Emerging Market
Guernsey	Unclassified
Kuwait	Emerging Market
Kyrgyzstan	Unclassified
La Reunion	Unclassified
Laos	Unclassified
Latvia	Developed Market
Lebanon	Unclassified
Lesotho	Unclassified
Liberia	Unclassified
Libya	Unclassified
Liechtenstein	Unclassified
Lithuania	Developed Market
Luxembourg	Developed Market
Macau	Unclassified
Macedonia	Unclassified
Madagascar	Unclassified
Malawi	Unclassified
Malaysia	Emerging Market
Martinique	Unclassified
Mauritania	Unclassified
Mauritius	Unclassified
Mayotte	Unclassified
Mexico	Emerging Market
Micronesia	Unclassified
Moldova	Unclassified
Monaco	Unclassified
Papua New Guinea	Unclassified
Paraguay	Emerging Market
Peru	Emerging Market
Philippines	Emerging Market

Mozambique	Unclassified
Myanmar	Unclassified
Namibia	Emerging Market
Nauru	Unclassified
Nepal	Unclassified
Netherlands Antilles	Unclassified
Netherlands	Developed Market
New Caledonia	Unclassified
New Zealand	Developed Market
Nicaragua	Unclassified
Niger	Unclassified
Nigeria	Emerging Market
Niue	Unclassified
Norfolk Island	Unclassified
North Korea	Unclassified
Norway	Developed Market
Oman	Emerging Market
Pakistan	Emerging Market
Palau	Unclassified
Palestine	Unclassified
Panama	Emerging Market
Singapore	Developed Market
Sint Maarten	Unclassified
Slovakia	Developed Market
Slovenia	Developed Market
S. Georgia & S. Sand Isl.	Unclassified
Solomon Islands	Unclassified
Somalia	Unclassified
South Africa	Emerging Market
South Korea	Emerging Market
South Sudan	Unclassified
Spain	Developed Market
Sri Lanka	Emerging Market
St. Vincent & Grenadines	Unclassified
St. Lucia	Unclassified
Sudan	Unclassified
Suriname	Unclassified
Svalbard and Jan Mayen	Unclassified
Swaziland	Unclassified
Sweden	Developed Market

Pitcairn	Unclassified
Poland	Emerging Market
Portugal	Developed Market
Puerto Rico	Unclassified
Qatar	Emerging Market
Romania	Emerging Market
Russia	Unclassified
Rwanda	Unclassified
Saint Barthelemy	Unclassified
Saint Helena	Unclassified
Saint Kitts and Nevis	Unclassified
Saint Martin	Unclassified
Saint Pierre & Miquelon	Unclassified
Samoa	Unclassified
San Marino	Unclassified
Sao Tome and Principe	Unclassified
Saudi Arabia	Emerging Market
Senegal	Emerging Market
Serbia	Emerging Market
Seychelles	Unclassified
Sierra Leone	Unclassified
Timor-Leste	Unclassified
Togo	Unclassified
Tokelau	Unclassified
Tonga	Unclassified
Trinidad and Tobago	Emerging Market
Tunisia	Unclassified
Turkey	Emerging Market
Turkmenistan	Unclassified
Turks and Caicos Islands	Unclassified
Tuvalu	Unclassified
U.S. Minor Outlying Isl.	Unclassified
Uganda	Unclassified
Ukraine	Emerging Market
United Arab Emirates	Emerging Market
United Kingdom	Developed Market
United States	Developed Market
Uruguay	Emerging Market
Uzbekistan	Unclassified
Vanuatu	Unclassified

Switzerland	Developed Market	Vatican City	Developed Market
Syria	Unclassified	Venezuela	Unclassified
Tajikistan	Unclassified	Vietnam	Emerging Market
Taiwan	Emerging Market	Virgin Islands	Unclassified
Tanzania	Unclassified	Wallis & Futuna	Unclassified
Thailand	Emerging Market	Western Sahara	Unclassified
Yemen	Unclassified	Zimbabwe	Unclassified
Zambia	Unclassified		

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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