

Morningstar Exponential Technologies Index

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Investing in transformational technologies possesses inherent appeal. Companies like Alphabet, Amazon, and Meta have changed the way we work and live, reaping healthy profits and delivering attractive returns to investors along the way. Companies with significant exposure to innovational technologies can disrupt industries, create new markets, and enjoy strong growth, which can make them attractive investments.

The Morningstar Exponential Technologies Index is designed to deliver diversified exposure to companies poised to benefit from innovative technologies with exponential growth potential. It offers unparalleled exposure to nine key technology themes by drawing on the in-depth experience and forward-looking insights of Morningstar's equity research team.

Exponential Technology themes

The Morningstar Equity Research Team's Exponential Technology steering committee has identified nine key themes. Themes are reviewed annually and can evolve as new themes emerge.

- **Big Data & Analytics:** Capabilities with data sets too large and complex to manipulate or interrogate with standard methods or tools. Sub-themes include Artificial Intelligence & Machine Learning and Bioinformatics.
- **Cloud Computing:** A paradigm shift from the legacy IT model whereby each element is accessed in a scalable, on-demand manner through the internet. Sub-themes include Infrastructure as a Service (IaaS) & Platform as a Service (PaaS) as well as Software as a Service (SaaS).
- **Energy Transition:** The quest to abate global climate change and reduce greenhouse gases has led to a surge of new energy technologies, investment, and innovation. Sub-themes include Carbon Capture Technologies, Energy Storage, Hydrogen, and Renewable Energy.
- **Fintech Innovation:** The integration of technology and financial services. In some cases, traditional financial services companies are simply expanding their offerings with

innovative, technology-enabled services to meet consumer preferences. In other cases, companies are building new platforms that could potentially transform the industry or create new industries within the financial sector.

- **Healthcare Innovation:** New therapies and technologies that address unmet medical needs that can significantly improve human health prospects. This trend focuses on novel solutions that are revolutionary in nature, rather than evolutionary, to enhance and repair the body. Sub-themes include Innovative Devices & Diagnostics and Innovative Therapies.
- **Hyperconnectivity:** This theme fuels rapid growth in connected devices and voracious need to push more data at faster transmission rates between users and devices. Sub-themes include 5G Connectivity, Cybersecurity, Internet of Things (IoT), and Non-Cellular Connectivity.
- **Nanotechnology:** The branch of technology that deals with dimensions and tolerances of less than 100 nanometers, especially the manipulation of individual atoms and molecules. Significant research dollars are being spent with the goal of starting with atoms and building up, to further progress in miniaturization. There are a wide range of potential applications. Examples include medicine, computing, industrial manufacturing, and travel (ground, air, space).
- **Next Gen Transportation:** Technologies replacing traditional human-operated, internal combustion engine-based vehicles. This includes a wide variety of applications. Examples include traditional light vehicles, public transportation vehicles, scooters/bikes, and drones. Sub-themes include Autonomous Driving Technologies and Electric Vehicles
- **Robotics:** The branch of technology that deals with the design, construction, operation, and application of robots. Advances in robotics have seemingly infinite potential applications, spanning technology, industrial, medical, and consumer-facing channels.

Theme exposure scores

Through a thorough, standardized scoring process conducted by Morningstar Equity Analysts, companies are assigned thematic exposure scores for each theme. This unique, forward-looking framework incorporates insights to assign scores between 0 and 4, with higher scores representing a higher degree of thematic purity. During the scoring process, subject matter experts consider each company’s role in the supply chain, expected revenue exposure to the sub-theme five years into the future, and whether the company is expected to experience a net profit increase from its exposure to the theme over the next five years.

Index eligibility and portfolio construction

The Morningstar Exponential Technologies Index derives its constituents from the Morningstar Global Markets Index. Companies must be assigned a thematic exposure score of 1 or higher in at least one of the themes and pass minimum liquidity screens to be eligible for index membership.¹

To ensure a minimum level of representation across each theme, up to the 10 top scoring stocks within each theme are prioritized for inclusion.

The remaining eligible securities are ranked to emphasize exposure across exponential technology themes. The ranking criteria are given below in descending order of preference:

- Number of themes in which a constituent scores 4
- Number of themes in which a constituent scores 3
- Number of themes in which a constituent scores 2
- Number of themes in which a constituent scores 1
- Current index constituents are given preference
- Company total market capitalization, preferring smaller over larger. This is based on the idea that smaller stocks tend to be more thematically pure at the margin.

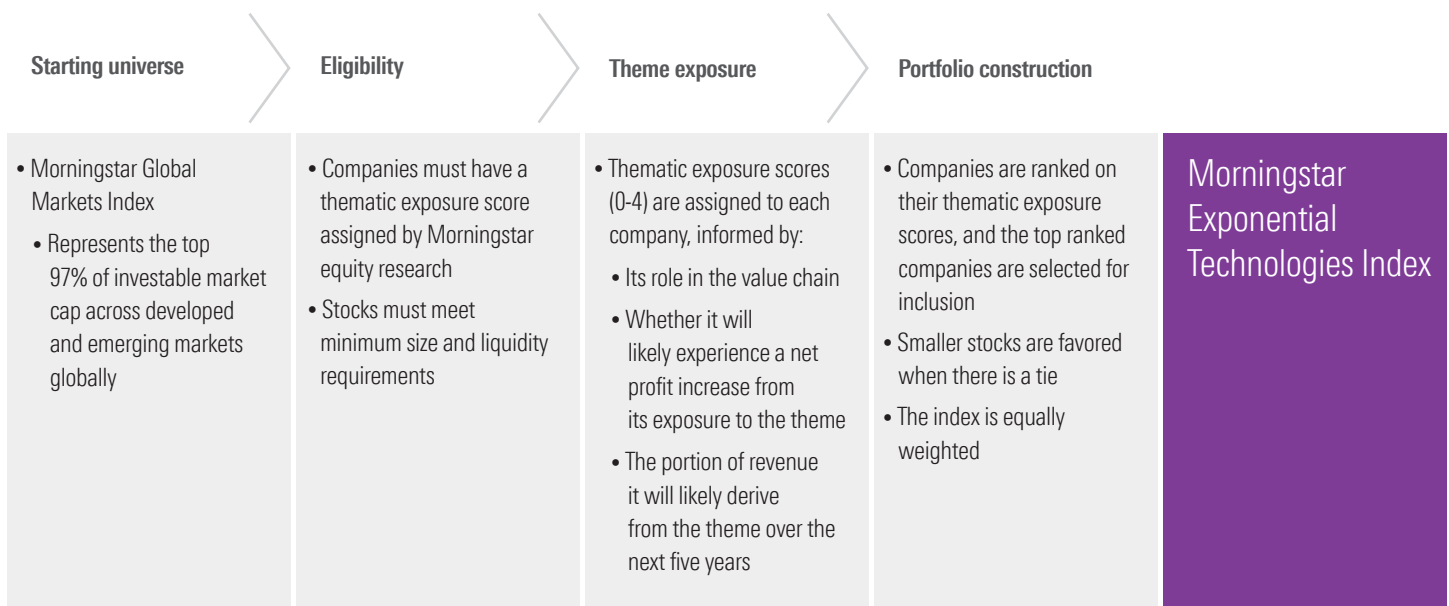
Companies are added to the list of theme leaders until 200 constituents are reached.

Reconstitution

The index is reconstituted and rebalanced annually in December.

¹ For more information, please refer to the Morningstar Exponential Technologies Index [rulebook](#)

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.