

# Morningstar US Exponential Technologies Healthcare Index

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Healthcare innovations are transforming medicine and improving the quality of patient care. For example, key advancements in bioinformatics—the science of collecting and analyzing complex biological data—and unlocking the human genome have opened doors to paradigm shifts in disease treatments. These tools allow researchers to identify a wide array of biomarkers that can enable more effective targeted therapies.

These innovations aren't just promising for patients; they may also create strong growth opportunities for investors. Bioinformatics can increase the probability of success in the development of new drugs by lowering development costs, while innovative treatments that provide greater efficacy or address unmet medical needs can enjoy strong demand and command premium prices.

The Morningstar US Exponential Technologies Healthcare Index is designed to deliver unparalleled thematically pure exposure to healthcare innovation and bioinformatics by drawing on the in-depth knowledge and forward-looking insights of Morningstar's equity research team. The index targets the stocks of companies well positioned to benefit from innovations that aim to improve disease treatments and diagnostics.

## Thematic exposure scores

Through a thorough, standardized scoring process conducted by Morningstar equity analysts, companies are assigned thematic exposure scores for two key themes: bioinformatics and healthcare innovation. This unique, forward-looking framework incorporates insights to assign the scores, which

range from 0 to 3, with higher scores representing a higher degree of thematic purity. The scoring process considers 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 construction

The Morningstar Exponential Technologies Healthcare Index derives its constituents from the Morningstar US Market 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.<sup>1</sup> Those that pass the initial eligibility screens are then ranked to maximize exposure to the theme. The ranking criteria are as follows, in descending order of absolute preference:

- Number of themes in which a company is a leader (scores 3)
- Number of themes in which a company scores 2
- Number of themes in which a company scores 1
- Current index constituents are given preference
- Market capitalization, preferring smaller over larger

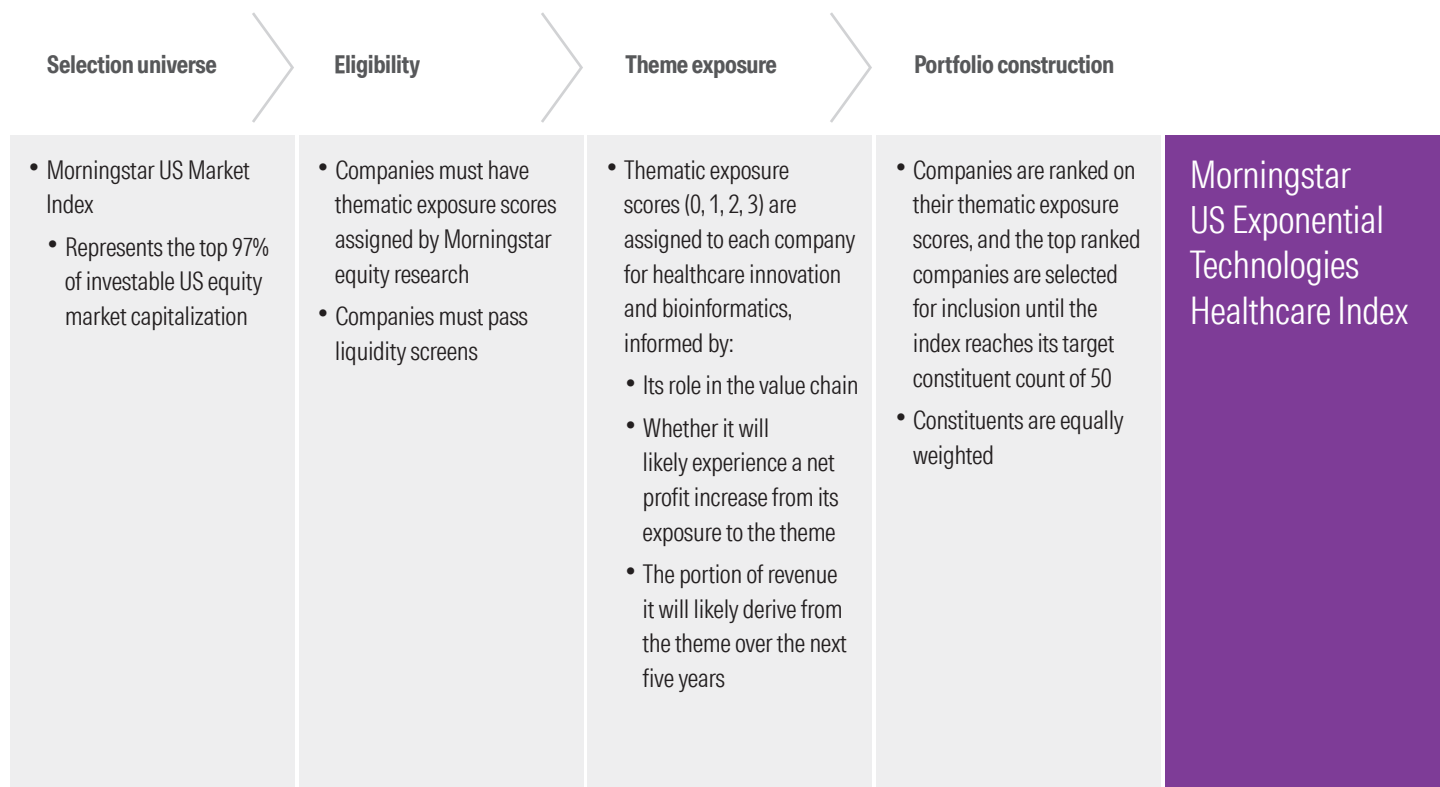
Companies ranked in the top 50 are selected for inclusion in the index and weighted equally.

## Reconstitution

The index is reconstituted and rebalanced annually in December.

<sup>1</sup>For more information, please refer to the Morningstar US Exponential Technologies Healthcare 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.

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