

Morningstar US Target Market Exposure Index

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Designed to facilitate performance benchmarking and efficient portfolio construction, the Morningstar US Target Market Exposure (TME) Index represents the large- and mid-cap segment of the US equity market. The index is built and maintained according to a transparent set of rules, and only liquid stocks that are readily available to institutional investors are included, ensuring accurate and objective representation of the investment opportunity set for active managers and mitigating transaction costs for passive investors.

Index eligibility

Eligible share classes of companies with a country classification of US that trade on the New York Stock Exchange, Nasdaq, or NYSE Market LLC are eligible for index inclusion. Country classification considers both the country of incorporation and country of primary listing. The following share classes are ineligible for index membership:

- Mutual funds
- Exchange-traded funds
- Derivatives
- Convertible notes, warrants, and rights
- Limited partnerships
- Depository receipts

To ensure investability, securities must pass minimum liquidity screens. Each security in the eligible universe is assigned a liquidity score based on its trading volume and must rank in the top 75% to qualify for inclusion in the investable universe. Securities are excluded if they have 10 or more nontrading days in the three months preceding reconstitution, or if less than 10% of their shares are publicly floated.

Portfolio construction

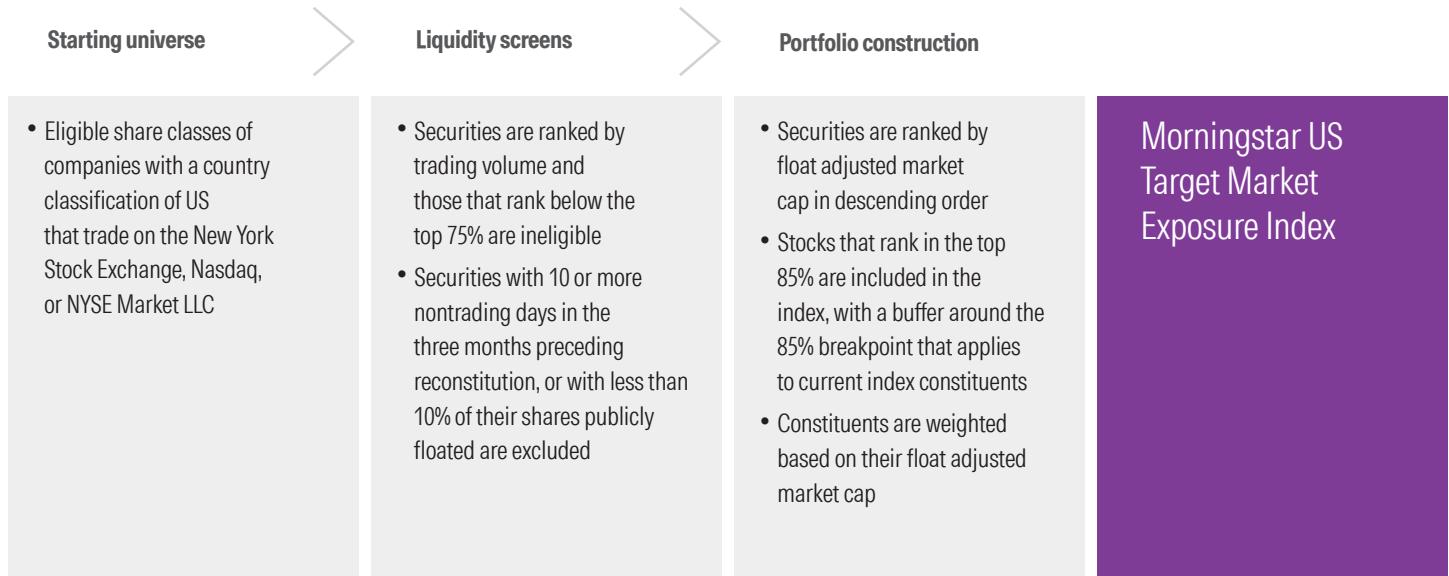
Eligible stocks are ranked in descending order by float adjusted market cap, and stocks that rank in the top 85% are included in the index. To mitigate turnover, there is a buffer around the 85% breakpoint that applies to current index constituents.

The index constituents are weighted by float-adjusted market capitalization, which ensures high capacity and further mitigates turnover.

Reconstitution and rebalancing

This index is reconstituted semi-annually in June and December, based on market data as of the last trading day of April and October. Rebalancing occurs quarterly in March, June, September, and December.

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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