

October 3, 2025

Consultation on the Morningstar Global Artificial Intelligence Select Index

Morningstar Indexes is considering a methodology change to the Morningstar Global Artificial Intelligence Select Index. This index currently applies capping constraints at each quarterly rebalance, where the top constituent weighting is capped at 6% (with lower limits for Tier 2 and Tier 3 constituents) and the weights of constituents above 4.5% cannot sum to more than 22.5%. This is intended to comply with regulatory requirements, which stipulate that companies with weights above 5% cannot sum to more than 25%.

We are considering implementing a daily check for the 5/25 capping constraint. If this limit is breached in the pro forma window for the open of T+2 (checked as of the close of day T), the smallest constituent above 5% would be capped at 4.5%, as well as any other constituent with weight between 4.5% and 5%. This would be done iteratively until the sum of the weightings above 5% is less than 25%. The excess weights would be distributed to the constituents below the 4.5% limit. This adjustment would be implemented at the open of T+2. This enhancement is designed to mitigate turnover, while ensuring compliance with the capping constraint.

During the historical simulation of the proposed daily index capping logic, this 5/25 limit was breached on two occasions: February 1, 2024, and July 30, 2025. The impact on performance during the back-test period was small, as shown [here](#).

If adopted, this change would be effective from December 22, 2025, on. There would be no change to the performance history or historical composition of the portfolios.

We are soliciting feedback on this proposal.

Submit your responses and questions

Responses to this consultation 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 October 2, 2025, to October 17, 2025.
- **Decision announcement:** Final decisions will be announced by November 7, 2025.
- **Proposed implementation:** December 22, 2025.

Questions

1. Should Morningstar Indexes implement daily cap monitoring and, if the 5/25 condition is breached, cap the security with the smallest weight above 5%, as well as any other constituent with weight between 4.5% and 5%, at 4.5% iteratively until the sum of the weights above 5% is less than 25%?
 - a. Yes
 - b. No, if the 5/25 condition is breached, cap all securities above 4.5% at 4.5%
 - c. No, do not make any changes to the current methodology
 - d. Other, please explain
2. As of the close of each calculation day T, what reference day should be used to check for capping breaches and when should the recapping be applied?
 - a. Check for a breach for the open of T+2 (in the pro forma window) and apply the recapping at the open of T+2 (1 day notice)
 - b. Check for a breach for the open of T+1 and apply the recapping at the open of T+2 (1 day notice)
 - c. Check for a breach at the close of T and apply the recapping at the open of T+2 (1 day notice)
 - d. Other, please explain
3. Should any exceptions be made to the implementation of the daily cap monitoring during the regular rebalancing pro forma period?
 - a. Yes, do not apply the daily check if the index is within two days of its upcoming rebalance effective date
 - b. No exceptions, apply the check every day
 - c. Other, please explain
4. What other factors should Morningstar Indexes consider in making this decision?

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

MorningstarIndexesAlerts@morningstar.com is a no-reply email address. For questions concerning this notification, please contact us at Indexes@morningstar.com.

