MORNINGSTAR Indexes

# Morningstar Market Indexes

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indexes@morningstar.com

The Morningstar Market Indexes are designed to provide the most comprehensive, accurate view of the investable US equity market and its size and style segments. Built to align with how professional managers actually invest and support investability at scale, the index methodology incorporates design elements to help minimize turnover and transaction costs.

Using market coverage targets rather than fixed constituent counts, the indexes expand and contract with the market while maintaining consistent exposure through time across the capitalization and style spectrum.

## Index eligibility

The Morningstar US Total Market Index serves as the parent index for the Morningstar Market Indexes and is designed to represent the entire investable U.S. equity market. Eligible securities generally include common stocks and other publicly traded equity securities of U.S. companies listed on approved exchanges.

To support investability, securities must satisfy minimum size, float, and liquidity requirements. Eligible securities span the full capitalization spectrum, including companies with market capitalizations as small as approximately $15 million.

## Portfolio construction

Eligible securities are ranked by market capitalization and segmented into size indexes using market coverage targets rather than predetermined constituent counts. This approach allows the indexes to expand and contract with the market, helping maintain consistent and accurate representation of the opportunity set as market conditions evolve. The breakpoints used to determine size segmentation are as follows, with buffers applied to help mitigate unnecessary turnover:

- Total Market: 100%
- Core Cap: 98%
- Mega Cap: 70%
- Large Cap: 85%
- Mid Cap: 70-85%
- Small Cap: 85-98%
- Micro Cap: 98-100%

The methodology incorporates several design features to mitigate transaction costs associated with replication:

- Banding: Each size and style breakpoint is surrounded by a buffer zone. A stock must cross through the entire band, not just touch the boundary, before it is reclassified.
- Packeting: When a security migrates between segments, only 50% of its float-adjusted market capitalization is moved at a time, helping reduce turnover and market impact.
- Transitional reconstitution: Index changes are implemented over five trading days to help reduce trading costs and market impact.
- Random reference date: An undisclosed reference date is used for snapping size eligibility, which helps reduce index arbitrage and support more efficient implementation, particularly for securities near size breakpoints.

Index constituents are weighted by float-adjusted market capitalization, which reflects the relative value of each company available to the public.

## Reconstitution and rebalancing

The Morningstar Market Indexes are reconstituted and rebalanced quarterly. Same-day corporate action treatment and fast-track IPO inclusion rules help ensure the indexes continue to provide accurate representation of the evolving investable U.S. equity market.

**Construction process**

| Starting universe | Liquidity screens | Size segmentation | Index weighting | |
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| • Companies are assigned US status based on factors such as, place of incorporation and headquarters, regulatory filings, and other operational considerations<br>• Common stocks and REITS of US companies listed on eligible US exchanges comprise the starting universe | • Securities must have a average daily trading volume/float shares of at least 0.001/0.0008 (new/existing) to be eligible<br>• Securities with 10 or more consecutive nontrading days are not eligible<br>• Company total market capitalization must be at least $15/10 million (new/existing)<br>• Securities must pass minimum float requirements | • Securities are ranked by total market cap in descending order<br>• The target size breakpoints are as follows, with bands and packeting applied to mitigate turnover:<br>• Total Market: 100%<br>• Mega cap: 70%<br>• Large cap: 85%<br>• Mid cap: 70–85%<br>• Small cap: 85–98%<br>• Micro cap: 98–100% | • Constituents are weighted based on their float adjusted market cap | Morningstar Market Indexes |

**About Morningstar Indexes**

Morningstar Indexes was built to meet 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. In February 2026, the acquisition of CRSP brought the CRSP Market Indexes—benchmarks for over $3 trillion in AUM—into the Morningstar Indexes family. Rebranded to the Morningstar Market Indexes in July 2026, these indexes are recognized globally for their high-quality methodology and focus on investability. Additionally, CRSP's Research Data Products, renowned for their academic rigor, historical depth and accuracy, will further enhance Morningstar's equity research and data capabilities. This integration unites two trusted sources of market insight, reinforcing a shared commitment to transparency, quality, and investor-focused solutions.

Please visit indexes.morningstar.com for more information.