



Morningstar Factor Tilt Indexes

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The Morningstar Factor Tilt Indexes are designed to provide broad exposure to the markets they target while overweighting smaller and more value-oriented stocks to increase exposure to the small size and value factors. By casting a wide net and linking constituent weightings to their market capitalization and targeted factor exposures, the indexes provide diversified exposure to the market while reducing turnover.

There are three indexes in this series: the Morningstar US Market Factor Tilt Index, the Morningstar Developed Markets ex-US Factor Tilt Index, and the Morningstar Emerging Markets Factor Tilt Index.

Index eligibility

Constituents of the Morningstar US Market Factor Tilt Index are derived from the Morningstar US Market Extended Index, which represents the top 99.5% of the investable US equity market. Constituents of the Morningstar Emerging Markets and Morningstar Developed Markets ex-US Factor Tilt indexes are derived from the Morningstar Global Markets ex-US Index, which represents the top 97% of the investable global equity market.

To be eligible for inclusion, each stock must have a style score. A stock's value orientation reflects the price investors are

willing to pay for a share of some combination of the stock's prospective earnings, dividends, sales, cash flow, and book value. Value exposure is determined using the following steps:

- Five prospective yields (earnings, dividend, cash flow, revenue, and book value) are calculated for each stock within each of the parent indexes.
- A cumulative value score for each security is computed.
- The total free-float market capitalization of each size segment is divided equally among the three style segments (value/core/growth).

Portfolio Construction

Eligible stocks are categorized by market cap and style. To arrive at the small-value tilt, the market is divided into four asymmetric quadrants. The value and size tilts are applied across the four quadrants, specifically overweighting the small-value quadrant relative to the other quadrants. With this approach, relative market weighting is maintained within each quadrant, resulting in a core portfolio with reduced turnover that captures long-term small-cap and value factors.

Rebalancing and Reconstitution

The indexes are reconstituted semiannually in June and December and rebalanced quarterly.

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.