September 14, 2026

Morningstar Market Indexes Methodology Alignment Consultation

As Morningstar Indexes continues the integration of the Morningstar Market Indexes into the broader Morningstar index platform, we are evaluating opportunities to further align methodologies across our equity index families. We are seeking feedback on proposed changes related to country classification, float methodology, pricing treatment, and small-cap eligibility thresholds. These proposals are intended to promote methodological consistency, improve market representation, and enhance index replicability.

Country Classification

The Morningstar Market Indexes currently apply a country classification framework that differs from that used across other Morningstar equity index families. We are considering adopting a common framework across all Morningstar equity indexes.

Under the proposal, companies would first be evaluated for potential classification as U.S. securities. Morningstar Indexes would consider a company's country of headquarters, country of primary listing, and country of incorporation. Where all three indicators point to the United States, the company would generally be classified as U.S.

Where these indicators are not aligned, Morningstar Indexes would review additional factors, including the presence of U.S. regulatory filings (e.g., Forms 10-K and 10-Q), as well as the geographic distribution of revenues and assets. The Morningstar Indexes Operations Committee may review cases where classification remains unclear or where a company has limited economic exposure to the United States despite otherwise meeting U.S. classification criteria.

Companies not classified as U.S. would then be evaluated using Morningstar's standard country classification framework, which primarily relies on country of primary listing and country of incorporation.

The companies whose country classification would change as a result of this proposal and would impact the composition of the Morningstar US Total Market Index, Morningstar Global All Cap TME Index, and Morningstar Global Market Index are shown here.

Float Methodology

There are a few aspects of the float methodology that currently differ between the Morningstar Market Indexes and other Morningstar equity index families. We are evaluating whether these approaches should be harmonized.

Key differences include:

- **Float Factor Application**: Morningstar Market Indexes round float factors to the nearest 5%, while other Morningstar equity index families apply precise float factors and a 1% buffer.
- **Float Review Cadence**: Morningstar Market Indexes review float factors quarterly for all securities, while other Morningstar equity index families generally conduct annual reviews in June.
- **Cross-Board Holdings**: Morningstar Market Indexes treat all cross-board holdings as strategic and exclude them from float. Other Morningstar equity index families exclude such holdings only when the board member has been nominated or appointed by the investing company.
- **Small Holder Threshold**: Morningstar Market Indexes do not apply a minimum ownership threshold when determining whether holdings of individual shareholders are strategic. Other Morningstar equity index families apply a 3% ownership threshold to determine whether the holdings qualify as strategic.

Morningstar Indexes is considering adopting a quarterly float review cadence across all Morningstar equity index families. For the remaining float-related topics, we are proposing to align the Morningstar Market Indexes with Morningstar's standard float methodology currently applied across Morningstar's other equity index families. In conjunction with the adoption of precise float factors, we are also evaluating whether to implement a 3% float change buffer across all Morningstar equity index families to help manage the additional turnover that may result from quarterly review.

These changes are intended to improve consistency across index families while enhancing market representation.

Morningstar US Total Market Index

Methodology Difference	Active Share Impact
Rounding	0.44901%
Cross Board Holdings	0.15865%
Threshold	0.05565%

*Proforma data as of the June 2026 ranking

Pricing Methodology

The Morningstar Market Indexes currently use consolidated tape pricing when there is no trading volume on the primary exchange, or when a security is trading on a when-issued basis and volume reported by the primary listing exchange is fewer than 100 shares. In contrast, other Morningstar equity index families carry forward the most recent end-of-day price in these situations. Morningstar Indexes is considering aligning the Morningstar Market Indexes with this standard approach to improve index replicability.

Consolidated tape pricing is uncommon across all market-cap segments and is primarily observed among micro-cap stocks. Its use, however, remains limited and has declined in both frequency and index weight over recent years, as summarized here.

Small Cap Threshold

The Morningstar Market Indexes currently define small-cap stocks as securities between the 85% and 98% market capitalization breakpoints. To more fully represent the U.S. small-cap market and better align with the Morningstar TME family, Morningstar Indexes is considering increasing the small-/micro-cap breakpoint to 99% from 98%.

Correspondingly, the turnover bands would be adjusted as follows:

- Lower inner band: 98% (from 96%)
- Lower outer band: 99.75% (from 99.5%)

Because the lower small-cap breakpoint is also used for fast-track IPO eligibility, this change would lower the market capitalization threshold for fast-track additions.

The performance and portfolio impact for the small cap indexes in the family is expected to be modest, as shown here.

We are soliciting client feedback on these proposals.

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 September 14, 2026, to October 12, 2026.
- **Decision announcement**: Final decisions will be announced by October 30, 2026.
- **Proposed implementation**: Q1 2027

Questions

1. Do you support the proposed country classification framework for identifying U.S. companies?
    a. Yes
    b. No
    c. Other, please explain.

2. To what extent do you support the use of committee discretion to make determinations for edge cases where the economic exposure of a company does not align with its country of headquarters, primary listing and incorporation?
    a. Exercise committee discretion when default rules are at risk of misaligning with the economic exposure a company provides.
    b. Minimize committee intervention, defer to transparent rules.
    c. Other, please explain.

3. For which aspects of the float methodology do you support aligning the Morningstar Market Indexes with Morningstar's standard equity index methodology? (Select all that apply.)
    a. Float rounding
    b. Cross-board holding treatment
    c. Small holder threshold
    d. None of the above
    e. Other, please explain.

4. If Morningstar Indexes adopts precise float factors for the Morningstar Market Indexes, do you support the use of a float change buffer to limit turnover resulting from small changes in float?
    a. Yes, apply a 3% float change buffer (proposed)
    b. Yes, apply a 1% float change buffer
    c. No, do not apply a float change buffer
    d. Other (please explain)

5. Do you support Morningstar Indexes moving to a quarterly review cadence total shares outstanding and for float across all equity index families?
    a. Yes
    b. No, move the Morningstar Market Indexes to the Morningstar standard annual review cadence.
    c. No, keep the Morningstar Market Indexes on a separate float review schedule (quarterly) from Morningstar’s other equity index families (annually).
    d. Other, please explain.

6. Which pricing approach do you believe is most appropriate when no qualifying trading volume is reported on a security's primary listing exchange?
    a. Carry forward the most recent end-of-day price (Morningstar's standard equity index approach).
    b. Use consolidated tape pricing (current Morningstar Market Indexes approach).
    c. Other, please explain.

7. If Morningstar Indexes adopts a carry-forward pricing approach in place of consolidated tape pricing, should consolidated tape data continue to be used when assessing whether a security traded on a given day?
    a. Yes, continue to consider consolidated tape data.
    b. No, rely solely on primary listing exchange data.
    c. Other, please explain.

8. Do you support increasing the small/micro-cap breakpoint to 99% from 98%, including the resulting adjustments to turnover bands and fast-track IPO eligibility thresholds?
    a. Yes
    b. No, retain the current small/micro breakpoint and bands.
    c. Other, please explain.

9. What other factors should Morningstar Indexes consider in making these decisions?

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. In February 2026, the acquisition of CRSP brought the CRSP Market Indexes—benchmarks for over $3 trillion in AUM—into the Morningstar Indexes family. 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.

Contact Us

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

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