

October 16, 2025

Consultation Results: Morningstar US Dividend Valuation Index

After reviewing feedback from the [consultation](#) on the Morningstar US Dividend Valuation Index, Morningstar Indexes is proceeding with the proposed methodology enhancements. Among these:

- The **distance to default** screen will become sector-relative within each of the 11 Morningstar sectors. Currently, this screen is applied within two sector peer groups (financial services and non-financial services).
- The **turnover buffers** around the dividend yield, distance to default and star score screens will increase to 20% from 3%. Additionally, securities are eligible to remain in the index as long as they remain in the buffer range. In contrast, in the current approach, stocks are only permitted to stay in the buffer for one reconstitution before being removed.
 - For example, existing constituents will be eligible to remain in the index if their star rating score ranks in the top 70%-90%, in contrast to the current 70%-73% buffer.
- A **momentum filter** will be added, where stocks not already included in the index that rank in the bottom 30% of the eligible universe by total return over the past 12 months are not eligible for inclusion. Existing constituents can remain in the index until their momentum ranks in the bottom 10% of the eligible universe.

These enhancements are intended to mitigate unintended sector biases, turnover, and risk. A performance summary of a simulation of the index with these changes is available [here](#).

These changes will be introduced via a one-time off-cycle reconstitution at the open of December 22, 2025, and will be effective from that point forward.

Contact Us

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