MORNINGSTAR Indexes

September 18, 2026

1 Day Reminder: Consultation on Currency Hedging Methodology

Morningstar Market Indexes (formerly CRSP) currently employ a currency hedging methodology that differs slightly from the standard methodology used across Morningstar Hedged Indexes. While the two methodologies are algebraically equivalent, they differ in the definition of total days used in the calculation of the interpolated forward rates:

- **Morningstar Market Indexes:** Use the number of calendar days in the month.
- **Standard Morningstar Hedged Index Methodology:** Uses the number of days between the current and subsequent rebalance dates.

Differences arise when month-end falls on a weekend or market holiday, causing the rebalance date to differ from the calendar month-end. In these cases, the interpolation period varies slightly between the two methodologies. Historical analysis indicates that the impact of this difference on index performance has been minimal.

However, neither the current Morningstar Market Index approach nor the Morningstar standard currency hedging methodology accounts for the forward contract settlement lag, which investors face. This can create a difference between the investable experience and index performance.

To create alignment across Morningstar index families, we are considering two potential approaches:

1) **Adopt the existing Morningstar standard methodology for the Morningstar Market Indexes**

   Under this approach, Morningstar Market Indexes would transition to the standard Morningstar Hedged Index Methodology. This would improve methodological consistency across index families while resulting in only minor changes to historical performance characteristics.

2) **Move all Morningstar currency hedged indexes to an interpolation methodology that accounts for settlement lags**

   Under this approach, Morningstar would adopt a revised methodology across all currency hedged indexes that explicitly incorporate forward settlement conventions into the interpolation of forward rates. For most currencies this would reflect a T+2 settlement cycle, while CAD, TRY, and PHP would reflect their T+1 settlement cycle.

   This would only impact the calculation of interpolated forward rates. For example, for a June 30, 2023 (Friday) rebalance in CAD (T+1), the forward contract under the proposed methodology would begin on July 5, 2023, and mature on August 8, 2023, reflecting applicable settlement conventions and non-business days. In contrast, the current Morningstar Hedged Index methodology assumes the forward contract begins on June 30, 2023, and matures on July 31, 2023. As a result, the interpolation period used to estimate forward rates would more closely align with the timing of actual investable forward contracts.

This approach would represent a bigger change from current practice but may more closely reflect investors' experience and improve index replicability.

This change would impact all Morningstar currency hedged indexes. The historical impact of these methodology proposals is summarized below for select indexes. Impact on additional indexes will be made available upon request.

Daily Return Differences

Morningstar US Total Market NR CAD Hedged (Aug 2020-April 2026)

Method	**Annualized Daily Return Std Dev**	**Mean**	**Median**	**Max**
Settlement Lag	0.2385%	0.0027%	0.0008%	0.5391%
Morningstar Standard	0.0103%	0.0002%	0.0000%	0.0095%

Settlement Lag

Index	**Annualized Daily Return Std Dev**	**Mean**	**Median**	**Max**
Morningstar DM xNA TME NR USD Hedged	0.1022%	0.0044%	0.0024%	0.0176%
Morningstar EM TME NR USD Hedged	0.0499%	0.0021%	0.0012%	0.0241%

Performance Comparison (Aug 2020-April 2026)

Index	**Annualized Return**	**Annualized Std Dev**
Morningstar US Total Market NR CAD Hedged		
Live Index	13.6626%	17.3330%
Settlement Lag	13.7637%	17.3313%
Morningstar Standard	13.6626%	17.3330%
Morningstar DM xNA TME NR USD Hedged		
Live Index (Morningstar Standard)	16.0742%	11.8547%
Settlement Lag	16.0465%	11.8557%
Morningstar EM TME NR USD Hedged		
Live Index (Morningstar Standard)	11.4021%	13.7278%
Settlement Lag	11.4144%	13.7264%

Morningstar Indexes is seeking feedback on this topic.

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 August 27, 2026, to September 18, 2026.
- **Decision announcement**: Final decisions will be announced by October 16, 2026.

Questions

1. Which of the two approaches do you prefer for Morningstar's currency hedging methodology?
    a. Align the Morningstar Market Indexes with the standard Morningstar Hedged Index Methodology.
    b. Adopt a settlement-lag-based interpolation methodology across all Morningstar Hedged Indexes.
    c. Stick with the current approach for each family.
    d. Other, please explain.

2. Which of the following considerations are most important in your evaluation of the proposed approaches? (Select all that apply)
    a. Index replicability.
    b. Historical continuity.
    c. Alignment with standard market practices.
    d. Other, please explain.

3. 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.

MORNINGSTAR Indexes