September 2026 Reconstitution

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Reconstitution: Separating the Signal From the Noise

The September 2026 reconstitution was shaped by one of the most significant market events in recent history: the public listing of SpaceX. While its IPO increased market concentration and shifted capitalization breakpoints, the Morningstar Market Indexes methodology helped absorb its impact in a measured, transparent way.

The Morningstar Market Indexes are built to give investors a clear, comprehensive view of the entire investable US equity market. To accurately reflect the changing markets, the indexes are reconstituted quarterly using a transparent, rules-based process. At each reconstitution, index membership and weightings are refreshed with the latest company-level data, including shares outstanding, float, incorporation status, recent financial information, and other relevant inputs.

To help reduce unnecessary turnover, the Morningstar Market Indexes use banding and packeting to distinguish durable market changes from short-term fluctuations. Bands around size and style breakpoints help prevent minor movements from triggering immediate reclassification, while packeting phases in changes by moving 50% of a company's float-adjusted market capitalization at a time. This approach helps manage trading costs for index fund investors while keeping the indexes aligned with the evolving market and more accurately reflecting market complexity close to breakpoints, where classifications are less clear-cut.

Key Takeaways

- SpaceX, the largest IPO to date, had a slightly smaller impact on reconstitution turnover than initially estimated, highlighting the robustness of the Morningstar Market Indexes methodology in managing significant market events.
- Index performance from June through September underscored the value of diversification across size and style segments, with micro-cap and value stocks outperforming large-cap and growth stocks, respectively.
- Although mega-cap performance moderated, top-level concentration remained a concern: the 10 largest companies accounted for 35% of the Morningstar Total Market Index, with SpaceX's listing further increasing concentration.
- Packeting between the mega- and mid-cap segments continued to reflect the lasting effects of the artificial intelligence-driven trades observed between the March and June reconstitutions and increased concentration, while movement between the small- and micro-cap segments reflected a broader range of market dynamics.

- Style packeting in the large-cap segment continued to reflect shifts in companies' growth fundamentals—not only valuation changes from price appreciation between March and June. Updated growth expectations led Intel, Applied Materials, Dell, and Corning to packet toward growth, while McDonald's, Uber, Adobe, and Intuit packeted toward value.

Why Quarterly Reconstitutions Matter

Markets continually evolve, and the Morningstar Market Indexes are reconstituted and rebalanced quarterly to reflect those changes. During each reconstitution, the full US equity market is reviewed, and company-level data—including shares outstanding, float, incorporation, and headquarters—is refreshed to help ensure the indexes include eligible US companies and accurately represent the investable market. Size and style assignments are also reassessed, so each company's classification reflects current market conditions and the latest fundamental data from regulatory filings.

The Morningstar Market Indexes are reconstituted after the close of trading on the first Friday of March, June, September, and December. Exhibit 1 outlines the typical timeline, from ranking day—when the review is conducted—to the end of the transitional reconstitution, when all ranking-related index changes have been implemented.

Exhibit 1 Typical Sequence of Events During Reconstitution

Ranking day September 4	**Pro forma** September 8 – September 16	**Transitional Reconstitution** September 16 – September 22	**Updated Index** September 23 and onwards
Review of the entire eligible universe based on the most recent data • First Friday of March, June, September, December • After close of trading	Release of the updated index based on the ranking to be effective at the end of the transitional reconstitution • Available Sunday evening, following the ranking • Updated daily to reflect the market moves since ranking • Changes to the data could be made, if necessary, per Index Operations C	Five-day rebalancing process to better align with investment community's best practices • Moves 20% of the change in holdings from the current index to the pro forma index for 5 days • Starts second Wednesday after ranking day • Ends first Tuesday after the third Friday of the ranking month	Index after all the changes from ranking have been implemented • Reflects the latest market data • Gets updated with corporate actions per methodology until the next ranking day

Note: Refer to the Morningstar Market Indexes Methodology for the full description of the reconstitution and ranking process (Morningstar Market Indexes Methodology Guide | Morningstar Indexes). For specific dates, refer to the implementation calendar (Morningstar Market Indexes Implementation Calendar | Morningstar Indexes). For governance, please refer to Chapter 9: Index Policies in (Morningstar Market Indexes Methodology Guide | Morningstar Indexes)

The reconstitution process incorporates meaningful market changes in an orderly, transparent, rules-based way while helping limit turnover from necessary index updates.

The challenge of balancing transaction costs against evolution in the market mirrors the decisions faced by investors and portfolio managers. Buy and sell decisions are rarely driven by a single factor. Rather, they reflect multiple considerations: conviction, implementation costs, liquidity, and portfolio objectives. The Morningstar Market Indexes methodology applies the same practical lens when determining when constituent changes are warranted, using transparent methodology.

September 2026 Reconstitution

High-Level Overview of the Market Changes

Between the June 5 and Sept. 4, 2026, rankings, the index added eight fast-track IPOs and over 20 seasoned IPOs (including direct listings and De-SPACs), adjusted membership for approximately 40 mergers and 50 secondary offerings, and processed more than 1,300 dividends. More than 3,800 companies were reviewed and updated to reflect the latest share and fundamental data.

After these updates, the Morningstar US Total Market Index included 3,481 securities at the September ranking, essentially unchanged from June. As shown in Exhibit 2a, the top 10 companies also remained the same, though Microsoft and Alphabet, as well as Tesla and Micron Technology, changed positions. Overall concentration remained elevated, with the top 10 companies representing just over 35% of the market.

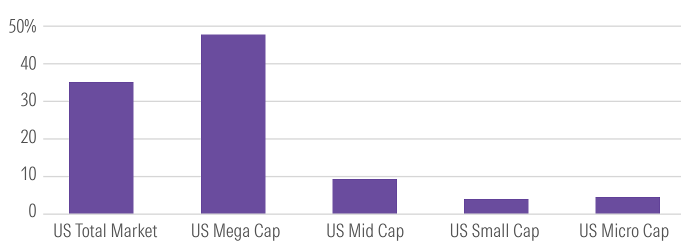
Exhibit 2a Top 10 Companies in the Morningstar US Total Market Index

	Weight in Total Market		
Company Name	**Sept-2026 Ranking**	**June-2026 Ranking**	**Delta**
Nvidia Corp	7.1%	6.7%	0.4%
Apple Inc	6.3%	6.4%	-0.1%
Microsoft Corp	5.0%	4.4%	0.6%
Alphabet Inc	4.8%	5.5%	-0.7%
Amazon.com	3.4%	3.4%	0.0%
Broadcom Inc	2.3%	2.6%	-0.3%
Meta Platforms Inc	1.8%	1.8%	0.0%
Micron Technology Inc	1.5%	1.4%	0.2%
Tesla Inc	1.5%	1.6%	0.0%
Lilly	1.3%	1.4%	0.0%
Top 10 Companies	35.1%	35.0%	0.1%

Source: Morningstar Direct, Morningstar Market Indexes. Data as of Sept. 4, 2026.

As shown in Exhibit 2b, concentration was most pronounced in the mega-cap segment: the weight of the 10 largest mega-cap companies was nearly 5 times that of the 10 largest mid-cap companies and more than 10 times that of the 10 largest small- and micro-cap companies.

Exhibit 2b Top 10 Companies' Weight by Cap Segments



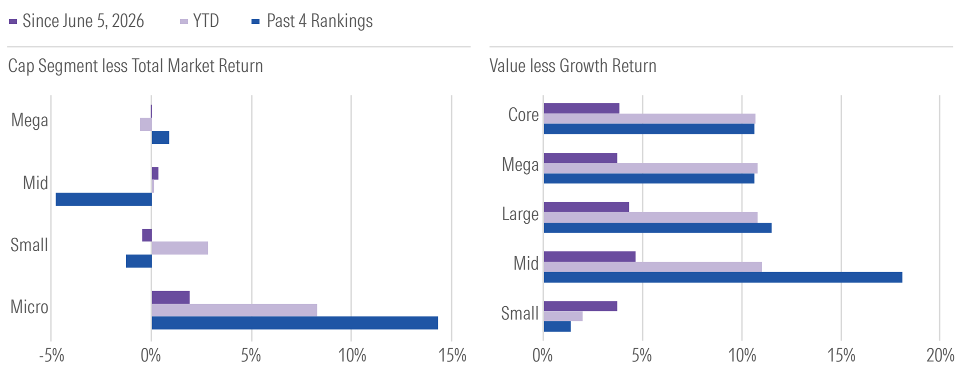
Source: Morningstar Direct, Morningstar Market Indexes. Data as of Sept. 4, 2026.

Index Performance

Returns across all cap categories were lower between the June 5 and Sept. 4 rankings than during the March-to-June period. Still, two trends that have persisted across the past four rankings continued, as shown in Exhibit 3:

1. Micro-cap securities outperformed both the total market and mega-cap securities.
2. Value outperformed growth across all cap segments.

Exhibit 3 Relative Performance of Cap and Style Segments



Source: Morningstar Direct, Morningstar Market Indexes. Data as of Sept. 4, 2026.

Although micro-cap stocks have significantly lagged mega-cap stocks over the past decade, their recent outperformance over the past four rankings highlights why diversified exposure across market-cap segments can benefit investors.

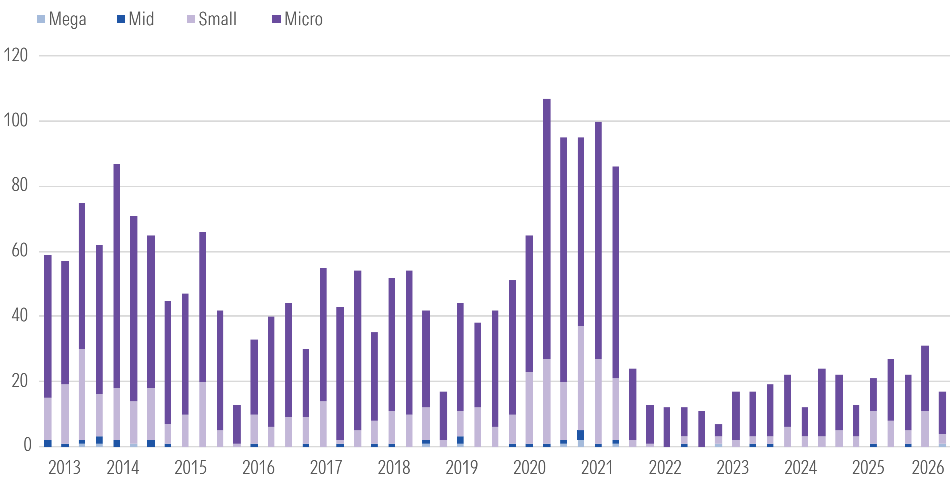
Value's outperformance over growth across the past four rankings also marks a notable shift from the trend of the past 10 years. However, that outperformance was not evenly distributed; the cumulative advantage was largely driven by the period between the December 2025 and March 2026 rankings.

IPOs

The Morningstar Market Indexes follow a transparent process for adding newly listed companies, helping investors gain timely exposure to eligible IPOs while preserving index discipline. Larger IPOs that meet the small-cap threshold or above are added within five trading days of listing through the fast-track process. Smaller IPOs are added only after seasoning, which requires at least 20 trading days before the ranking date (refer to Morningstar Market Indexes Methodology Guide | Morningstar Indexes for detailed requirements for IPO inclusion).

As shown in Exhibit 4, IPO additions to the Morningstar US Total Market Index at the September ranking remained below pre-2022 levels and declined from the March and June 2026 rankings. The September ranking was still notable, however, because it included SpaceX, the largest IPO to date.

Exhibit 4 IPOs Included in the Morningstar US Total Market Index by Cap Size



Source: Morningstar Indexes. Data as of Sept. 4, 2026
Note: The IPO's capitalization size is determined based on the closing price of the first trading day.

As shown in Exhibit 5, most fast-track IPOs added between the June and September rankings entered the index as small-cap companies, while SpaceX entered as a mega-cap company.

Exhibit 5 Fast-Track IPOs Included in Morningstar Total Market Index

						Weight in Total Markets Index	
Ticker	Company Name	First Trade Date	Date included in the index	Cap Segment at the inclusion	Sept. 2026 Ranking Cumulative Cap Score	At Inclusion	At Ranking
AADX	Applied Aerospace & Defense Inc	6/3/2026	6/10/2026	Small	98.6	0.0009%	0.0006%
QNT	Quantinuum Inc	6/4/2026	6/11/2026	Small	91.7	0.0021%	0.0019%
LFTO	Liftoff Mobile Inc	6/4/2026	6/11/2026	Small	97.9	0.0006%	0.0004%
PBLS	Parabilis Medicines Inc	6/10/2026	6/17/2026	Small	96.8	0.0013%	00019%
EROC	Erock	6/10/2026	6/17/2026	Small	98.3	0.0006%	0.0005%
SPCX	Space Exploration Technologies Corp	6/12/2026	6/22/2026	Mega	26.4	0.1514%	0.1177%
CSQR	Csquare Inc #	7/16/2026	7/23/2026	Small	98.0	0.0014%	0.0011%
JMKE	Jersey Mikes Subs Inc	7/30/2026	8/6/2026	Small	95.2	0.0015%	0.0013%

Source: Morningstar Direct, Morningstar Indexes. Data as of Sept. 4, 2026

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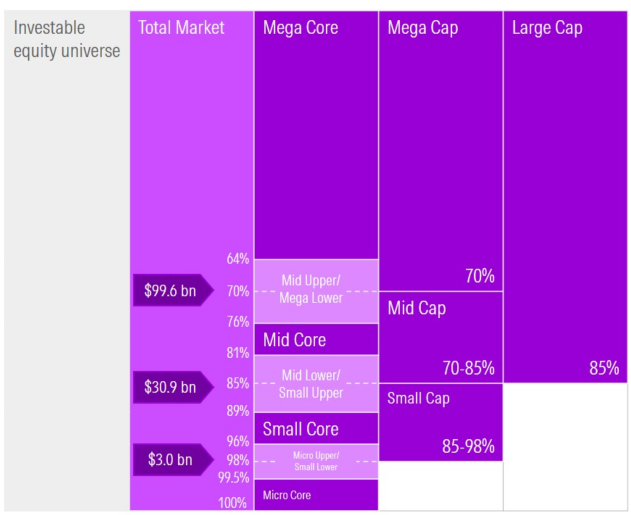
Although fast-track IPOs are added before the next ranking, each quarterly review incorporates their impact on breakpoints and related segment assignments. This impact is usually modest because fast-track IPOs are typically small-cap companies and therefore mainly affect the small/micro-cap breakpoint. In September, however, the ranking also reflected SpaceX, the largest IPO to date. Given SpaceX's size, its effect on breakpoints was more visible.

Changes in Breakpoints

Each quarter, the full US equity market is reevaluated. The methodology assigns a capitalization value to each size breakpoint based on the latest market composition and concentration, and those breakpoints determine which companies fall into each size segment.

The number of constituents in each segment can change from one reconstitution to the next, but the market-coverage target remains constant. This approach keeps the size indexes aligned with the same portion of the market over time, even as the market grows, contracts, or becomes more concentrated. Exhibit 6 shows the September 2026 ranking breakpoints. A more detailed outline, including band information, is available here: Morningstar Market Indexes Breakpoints Chart | Morningstar Indexes.

Exhibit 6 September 2026 Ranking Breakpoints

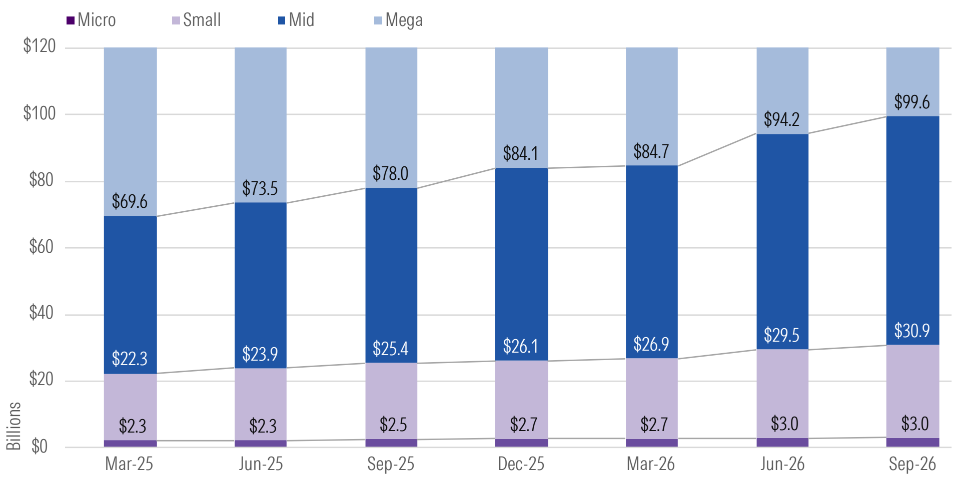


Source: Morningstar Direct, Morningstar Market Indexes. Data as of Sept. 4, 2026.

Breakpoints help determine cap segment assignment for companies affected by corporate actions—such as fast-track IPOs—between rankings. They also help investors understand how market concentration and company growth affect size-segment composition.

Breakpoints are generally affected by changes in company capitalization and by corporate actions that add or remove companies, including IPOs, spinoffs, mergers, acquisitions, privatizations, and delistings. As noted earlier, performance across cap segments was relatively even between the June and September rankings, so large breakpoint changes would not typically be expected. However, as Exhibit 7 shows, the mega/mid-cap breakpoint increased faster than the mid/small- and small/micro-cap breakpoints.

Exhibit 7 Breakpoint Changes for the Past 18 Months



Source: Morningstar Indexes. Data as of Sept. 4, 2026
Note: The IPO's capitalization size is determined based on the closing price of the first trading day.

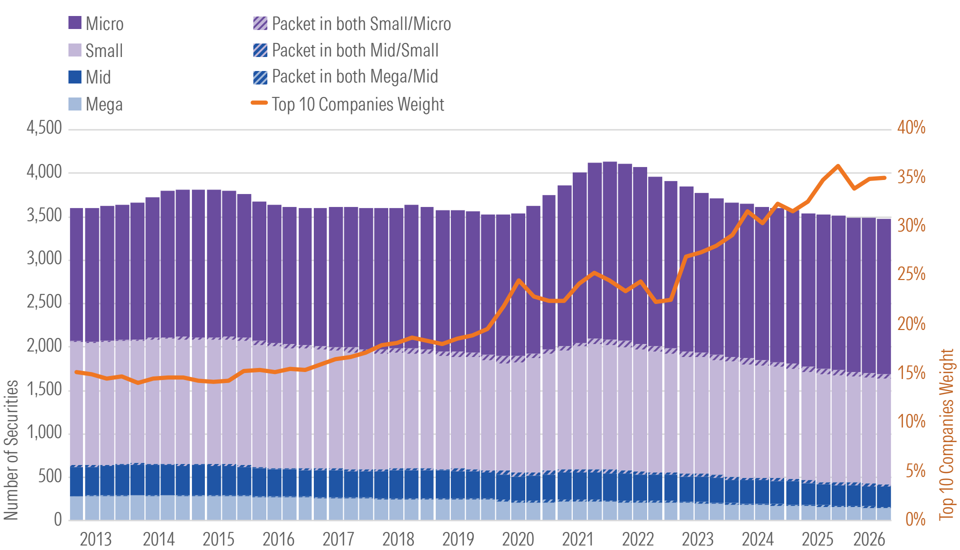
SpaceX was a key driver of the increase in the mega/mid-cap breakpoint. Although its float-adjusted capitalization was relatively modest, the ranking process assigns companies to cap segments using total market capitalization. On that basis, SpaceX ranked among the 10 largest companies in the US market. Mega-cap IPOs can affect breakpoints even if they are not added to the index, provided the companies are considered US-domiciled. If SpaceX had remained private, the mega/mid-cap breakpoint would have been roughly $97.7 billion, a 3.7% increase from the June 2026 ranking. With SpaceX public, the September 2026 ranking raised the breakpoint to $99.6 billion, a 5.7% increase from June, reflecting an additional $2 billion impact from increased top-level concentration.

When a mega-cap IPO raises breakpoints, it can create a cascading effect at reconstitution by moving some smaller companies into lower capitalization segments, as discussed in our May paper on mega IPOs. As a result, the listing of an eligible mega-cap IPO can increase turnover as the indexes recalibrate to reflect higher top-level concentration. The Morningstar Market Indexes' banding and packeting methodology helps moderate that impact. Based on the September 2026 ranking data, SpaceX increased mega-cap turnover by 9.5 basis points, slightly below the 10-basis-point estimate, and mid-cap turnover by 104 basis points, below the 108-basis-point estimate.

As concentration increased, the number of mega-cap companies fell to 165, the lowest level in the past decade (see Exhibit 8). These changes help maintain an accurate and consistent representation of the large-company universe.

With anticipated IPOs from Anthropic and OpenAI, alongside continued subdued small-cap IPO activity, top-level market concentration could continue to rise, requiring further adjustments to the mega-cap segment to keep the indexes aligned with the market.

Exhibit 8 Counts and Concentration



Source: Morningstar Market Indexes. Data as of Sept. 4, 2026.

Cap Packeting: Large-Cap Changes

Exhibit 9 highlights capitalization changes within the mega- and mid-cap segments. Seagate Technology Holdings and Western Digital Corporation moved from a 50/50 split between mega- and mid-cap to 100% mega-cap, reflecting the continued influence of AI-related market leadership. Astera Labs followed a similar path, moving from a 50/50 split between mid- and small cap to 100% mid-cap. While these upward moves show that price gains from the March-to-June period proved durable, slower—or slightly negative—growth from June to September suggests AI momentum may be moderating.

Downward movements in the mega- and mid-cap segments were largely driven by increased concentration at the top of the market. For example, SS&C Technologies, Zimmer Biomet, and Tractor Supply delivered relatively solid results between June and September, but their capitalization gains were not enough to offset the rise in top-level concentration.

Moderna was another notable mover, gaining more than 200% and initiating a packet from small cap to mid-cap. Despite the sharp increase, Moderna will not move fully into mid-cap unless it maintains its relative position through the next ranking. This approach allows the indexes to reflect a meaningful increase in the company's capitalization while waiting for confirmation that the price move is durable rather than temporary.

Exhibit 9 Changes to Mega- and Mid-Cap Segments Between June and September 2026 Rankings

		Cap Category			Cumulative Cap		Total Return	
Ticker	Company Name	Jun-26	Sep-26	Type of Change	Jun-26	Sep-26	Jun. - Sept.	Mar. - Jun.
STX	Seagate Tech Hldgs Plc	Mega/Mid	Mega	Moving to Higher Cap Segment	57.8	60.1	0.29	140.64
WDC	Western Digital Corp Com	Mega/Mid	Mega	Moving to Higher Cap Segment	59.5	63.9	-8.65	108.71
CL	Colgate Palmolive Co Com	Mega	Mega/Mid	Moving to Lower Cap Segment	75.7	76.0	0.79	-4.72
HLT	Hilton Worldwide Hldgs Inc	Mega/Mid	Mid	Moving to Lower Cap Segment	74.3	76.1	-9.26	14.94
BSX	Boston Scientific Co Com	Mega	Mega/Mid	Moving to Lower Cap Segment	75.6	76.2	-1.54	-31.96
APD	Air Prods & Chems In Com	Mega/Mid	Mid	Moving to Lower Cap Segment	77.4	76.4	7.33	4.39
AON	Aon Plc	Mega/Mid	Mid	Moving to Lower Cap Segment	76.5	76.6	-1.43	-3.29
HON	Honeywell Intl Inc Com	Mega	Mega/Mid	Moving to Lower Cap Segment	63.8	76.7	0.16	-8.55
RSG	Republic Svcs Inc Com	Mega/Mid	Mid	Moving to Lower Cap Segment	77.5	76.8	6.34	-8.84
AEP	American Elec Pwr In Com	Mega/Mid	Mid	Moving to Lower Cap Segment	76.0	76.9	-2.85	-1.36
TFC	Truist Financial Corp	Mega/Mid	Mid	Moving to Lower Cap Segment	77.7	77.9	6.01	6.95
NKE	Nike Inc Cl B	Mega/Mid	Mid	Moving to Lower Cap Segment	76.9	78.5	-9.70	-23.94
MRNA	Moderna Inc Com	Small	Mid/Small	Moving to Higher Cap Segment	89.3	78.9	206.81	-9.67
ALAB	Astera Labs Inc	Mid/Small	Mid	Moving to Higher Cap Segment	77.7	80.0	-2.10	165.99
NI	Nisource Inc Com	Mid/Small	Small	Moving to Lower Cap Segment	87.9	89.0	-10.60	0.95
SSNC	Ss&C Technologies Hl Com	Mid/Small	Small	Moving to Lower Cap Segment	90.0	89.1	20.09	-7.40
TSN	Tyson Foods Inc Cl A	Mid	Mid/Small	Moving to Lower Cap Segment	88.4	89.1	-11.64	-3.58
ZBH	Zimmer Biomet Holdings Inc	Mid/Small	Small	Moving to Lower Cap Segment	90.1	89.2	12.59	-6.96
LUV	Southwest Airls Co Com	Mid	Mid/Small	Moving to Lower Cap Segment	88.5	89.3	-3.79	0.42
TSCO	Tractor Supply Co Com	Mid/Small	Small	Moving to Lower Cap Segment	90.3	89.5	18.28	-40.17
FTV	Fortive Corp	Mid/Small	Small	Moving to Lower Cap Segment	89.2	89.6	-6.88	6.90
LNT	Alliant Energy Corp Com	Mid/Small	Small	Moving to Lower Cap Segment	89.2	89.6	-6.02	2.59
FLUT	Flutter Entertainment Plc	Mid/Small	Small	Moving to Lower Cap Segment	89.6	89.7	-0.38	-10.48
ROL	Rollins Inc Com	Mid	Mid/Small	Moving to Lower Cap Segment	88.1	89.8	-23.49	-18.90
NVR	Nvr Inc Com	Mid/Small	Small	Moving to Lower Cap Segment	89.9	90.1	1.88	-11.16
BURL	Burlington Stores Inc	Mid/Small	Small	Moving to Lower Cap Segment	88.7	90.2	-16.31	3.73
MKC	Mccormick & Co Inc Com Non Vtg	Mid/Small	Small	Moving to Lower Cap Segment	91.7	90.9	11.27	-26.49
LULU	Lululemon Athletica Com	Mid/Small	Small	Moving to Lower Cap Segment	90.8	91.3	-11.92	-32.86
CSGP	Costar Group Inc Com	Mid/Small	Small	Moving to Lower Cap Segment	91.1	91.7	-8.79	-29.95

Source: Morningstar Direct, Morningstar Indexes. Data as of Sept. 4, 2026. Note: Total return is computed between ranking dates

Honeywell International's change illustrates the importance of comprehensive market coverage and thoughtful corporate action treatment. Honeywell's drop in cumulative cap score to 77% from 64% reflects a complex set of events. On June 4, 2026, Quantinuum became a publicly listed company.

According to its Securities and Exchange Commission filing,[1] the company was a result of Honeywell Quantum Solutions and Cambridge Quantum combination, with Honeywell entities retaining a significant interest at the time of the IPO. On June 29, 2026, Honeywell completed the spinoff of its aerospace unit, Honeywell Aerospace.[2] The Morningstar Market Indexes included both Quantinuum and Honeywell Aerospace, ensuring that the indexes accurately capture the return on the original investment into Honeywell International.[3]

Cap Packeting: Small- and Micro-Cap Changes

Packeting between the small- and micro-cap segments was also influenced by AI-related market appreciation from March to June 2026, as reflected in Kodiak Gas Services and Applied Optoelectronics movement. However, upward packeting was broader than AI-linked companies alone and included several pharmaceutical and financial services firms that showed more sustained growth since the March ranking. This broader strength within the micro-cap segment may help explain the outperformance of the Morningstar US Micro Cap Index.

Exhibit 10 Changes to Small and Micro-Cap Segments Between June and September 2026 Rankings

		Cap Category			Cumulative Cap		Total Return	
Ticker	Company Name	Jun-26	Sep-26	Type of Change	Jun-26	Sep-26	Jun. - Sept.	Mar. - Jun.
AAOI	Applied Optoelectronics Inc	Small/Micro	Small	Moving to Higher Cap Segment	90.1	93.9	-40.38	85.19
SYRE	Spyre Therapeutics Inc	Small/Micro	Small	Moving to Higher Cap Segment	95.7	94.7	20.81	83.44
VCTR	Victory Capital Holdings Inc	Small/Micro	Small	Moving to Higher Cap Segment	96.2	95.0	30.72	26.05
SRRK	Scholar Rock Hldg Corp	Micro	Small/Micro	Moving to Higher Cap Segment	96.2	95.2	24.90	-2.19
ANDG	Andersen Group Inc	Micro	Small/Micro	Moving to Higher Cap Segment	97.1	95.6	46.59	61.33
ERAS	Erasca Inc	Micro	Small/Micro	Moving to Higher Cap Segment	97.1	95.6	35.25	-22.62
TVTX	Travere Therapeutics Inc	Micro	Small/Micro	Moving to Higher Cap Segment	97.2	95.6	42.50	68.17
ORKA	Oruka Therapeutics Inc	Micro	Small/Micro	Moving to Higher Cap Segment	97.7	95.7	53.82	82.41
LQDA	Liquidia Corp	Micro	Small/Micro	Moving to Higher Cap Segment	96.5	95.7	11.01	71.66
KGS	Kodiak Gas Svcs Inc	Small/Micro	Small	Moving to Higher Cap Segment	95.3	95.9	-3.16	18.50
DNTH	Dianthus Therapeutics Inc	Micro	Small/Micro	Moving to Higher Cap Segment	96.8	95.9	34.27	23.48
VSEC	Vse Corp Com	Small/Micro	Small	Moving to Higher Cap Segment	96.4	95.9	12.99	-13.73
JBGS	Jbg Smith Properties	Small	Small/Micro	Moving to Lower Cap Segment	99.3	99.5	-20.26	1.67
BFS	Saul Ctrs Inc Com	Small	Small/Micro	Moving to Lower Cap Segment	99.4	99.5	-9.52	8.15
SG	Sweetgreen Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.4	99.5	-7.82	32.03
APOG	Apogee Enterprises I Com	Small/Micro	Micro	Moving to Lower Cap Segment	99.5	99.5	8.75	5.80
PMT	Pennymac Mtg Invt Tr Com	Small	Small/Micro	Moving to Lower Cap Segment	99.4	99.5	-1.56	-11.43
HTZ	Hertz Global Holdings Inc	Small	Small/Micro	Moving to Lower Cap Segment	98.9	99.6	-54.81	23.54
ESRT	Empire State Rlty Tr	Small	Small/Micro	Moving to Lower Cap Segment	99.4	99.6	-13.28	-4.06
PZZA	Papa Johns Intl Inc Com	Small	Small/Micro	Moving to Lower Cap Segment	99.4	99.6	-28.95	5.42
AHCO	Adapthealth Corp	Small	Small/Micro	Moving to Lower Cap Segment	99.2	99.6	-34.38	4.21
WOOF	Petco Health & Wellness Co Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.5	99.6	-4.59	18.91
TASK	Taskus Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.7	99.6	37.80	-18.10
NABL	N-Able Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.5	99.6	7.41	-24.10
ENVX	Enovix Corporation Com	Small	Small/Micro	Moving to Lower Cap Segment	98.8	99.6	-54.40	50.10
VTS	Vitesse Energy Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.6	99.6	3.67	-7.78
AGNT	Agnt Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.5	99.6	-14.18	-25.50
ARRY	Array Technologies Inc	Small	Small/Micro	Moving to Lower Cap Segment	99.1	99.6	-43.14	18.80
JBI	Janus International Group Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.6	99.6	-0.20	-3.59
VRRM	Verra Mobility Corp	Small/Micro	Micro	Moving to Lower Cap Segment	99.6	99.6	-5.57	-73.83
CWH	Camping World Holdings Inc Class A	Small/Micro	Micro	Moving to Lower Cap Segment	99.5	99.6	8.58	-12.91
MATW	Matthews Intl Corp Cl A	Small/Micro	Micro	Moving to Lower Cap Segment	99.5	99.7	-15.72	-0.26
CCOI	Cogent Communications Holdings Inc	Small	Small/Micro	Moving to Lower Cap Segment	99.5	99.8	-40.15	-26.96
EVGO	Evgo Inc	Small/Micro	Micro	Moving to Lower Cap Segment	99.6	99.8	-28.94	-3.85

Source: Morningstar Direct, Morningstar Indexes. Data as of Sept. 4, 2026. Note: Total return is computed between ranking dates

1 https://www.sec.gov/Archives/edgar/data/2110105/000162828026041003/quantinuum-424b4.htm

2 https://www.sec.gov/Archives/edgar/data/2089271/000119312526302021/d132076d424b3.htm

3 Because Quantinuum qualified as a fast-track IPO, it was added to the Morningstar US Total Market Index five trading days after listing, as shown in Exhibit 5. Honeywell Aerospace initially remained in mega-cap as a spinoff, reflecting its parent company's June 2026 ranking placement and ensuring the mega-cap index captured the transaction's impact. After that initial treatment, Honeywell Aerospace follows the standard packeting rules for a stand-alone company, moving to a 50/50 split between mega- and mid-cap based on its September ranking cumulative cap score.

Style Packeting: Large-Cap Changes

The Morningstar Market Indexes reevaluate each company's style assignment at every quarterly reconstitution by recalculating six value factors and five growth factors. The methodology treats value and growth as separate dimensions, allowing each company's style assignment to be guided by the data. As a result, the methodology does not force a 50/50 split within parent cap segments. Furthermore, the Morningstar Market Indexes assess style relative to the company's parent index, making the resulting classifications more relevant for performance benchmarking and more closely aligned with how capital is allocated in practice. As with cap movement, the Morningstar Market Indexes use banding and packeting to manage transitions between styles, helping the indexes capture meaningful fundamental changes rather than short-term market noise.

More than 100 securities changed style during the September ranking. Exhibit 11 focuses on securities in the large-cap index. Because style is evaluated relative to the parent index, the analysis reviews how companies moved across four cap categories: mega-cap, mid-cap, large cap, and core cap. Most companies' style changes were consistent across different cap indexes. For example, Intel packeted toward growth across the Mega, Large, and Core indexes. However, some companies showed notable differences across categories.

Dell, for example, packeted toward growth in the large- and core-cap indexes but did not move toward growth in mega-cap. Similarly, Adobe did not change style in mega-cap, where it is assigned to value, but packeted toward value in large cap and remained split 50/50 between value and growth in core cap. These differences reflect each company's relative positioning within its parent index. In Dell's case, its growth profile was less distinctive relative to mega-cap growth peers than it was within the broader large-cap universe, which also includes mid-cap companies.

Exhibit 11 Style Changes for Securities in Large-Cap Index

		Style Packeting by Cap Segment				Post Packeting Pro-forma Style Assignment by Cap Segment			
Ticker	Name	Mega	Mid	Large	Core	Mega	Mid	Large	Core
INTC	Intel Corp Com	Growth	–	Growth	Growth	Growth	–	Growth	Growth
AMAT	Applied Matls Inc Com	Growth	–	–	–	Growth	–	Growth	Growth
DELL	Dell Technologies Inc Cl C	–	–	Growth	Growth	Value	–	Value/Growth	Value/Growth
TMUS	T-Mobile Us Inc	–	–	–	Value	Value	–	Value	Value
MCD	Mcdonalds Corp Com	–	–	Value	Value	Value	–	Value/Growth	Value/Growth
UBER	Uber Technologies Inc	Value	–	Value	Value	Value	–	Value	Value
TJX	Tjx Cos Inc New Com	Value	–	–	–	Value/Growth	–	Growth	Growth
GLW	Corning Inc Com	–	–	Growth	–	Growth	–	Growth	Growth
SYK	Stryker Corp Com	–	–	Value	Value	Value	–	Value	Value/Growth
ADBE	Adobe Inc	–	–	Value	–	Value	–	Value	Value/Growth
INTU	Intuit Com	Value	–	Value	Value	Value	–	Value	Value
MAR	Marriott Intl Inc Ne Cl A	Value	–	–	–	Value/Growth	–	Growth	Growth
SHW	Sherwin Williams Co Com	–	–	Value	–	Value	–	Value	Value/Growth
APO	Apollo Asset Management Inc	–	Value	Value	Value	Value	Value/Growth	Value	Value
BSX	Boston Scientific Co Com	Value	Value	Value	Value	Value	Value	Value	Value
O	Realty Income Corp Com	–	–	Value	Value	–	Growth	Value	Value
KEYS	Keysight Technologies Inc	–	Growth	–	–	–	Value/Growth	Value	Value
VTR	Ventas Inc Com	–	–	Growth	–	–	Growth	Value/Growth	Value
EXPE	Expedia Group Inc	–	–	Value	–	–	Growth	Value	Value/Growth
RMD	Resmed Inc Com	–	–	Value	–	–	Growth	Value/Growth	Growth
EQT	Eqt Corp Com	–	Value	Value	Value	–	Value	Value	Value
CCL	Carnival Corporation Ltd	–	Value	–	–	–	Value/Growth	Value	Value
ZTS	Zoetis Inc	–	Value	–	Value	–	Value/Growth	Value	Value
CPRT	Copart Inc Com	–	–	–	Value	–	Growth	Value	Value
SUNB	Sunbelt Rentals Holdings Inc Shs	–	Value	Value	Value	–	Value	Value	Value
ON	On Semiconductor Cor Com	–	Growth	–	–	–	Value/Growth	Value	Value
Q	Qnity Electronics Inc	–	Growth	–	–	–	Value/Growth	Value	Value
HUBB	Hubbell Inc	–	–	–	Value	–	Value/Growth	Value	Value
SBAC	Sba Communications Corp Cl A Reit	–	–	Value	Value	–	Growth	Value/Growth	Value/Growth

Source: Morningstar Direct, Morningstar Indexes. Data as of Sept. 4, 2026

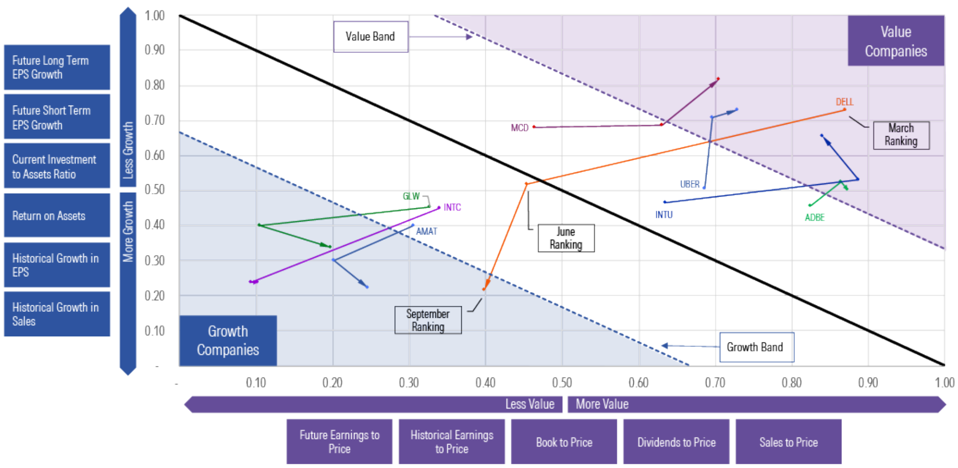
Reflecting Meaningful Shifts: Banding and Packeting in Action

The September reconstitution provides a useful case study in the benefits of banding and packeting, particularly after the rapid price appreciation some companies experienced between the March and June rankings.

To understand style assignment dynamics, it is useful to evaluate the value and growth components separately, consistent with Morningstar's methodology. The value component focuses on valuation and is therefore more sensitive to price movements. The growth component focuses on company fundamentals and market expectations, such as long-term earnings per share growth expectations, which may take longer to adjust.

Exhibit 12 shows how selected large-cap companies moved between growth and value styles. Horizontal movement reflects the value component: A left-to-right shift indicates that a company has become cheaper relative to its fundamentals, while movement in the opposite direction indicates the reverse. Vertical movement reflects changes in growth expectations: Downward movement indicates higher growth potential, whereas upward movement suggests a slowdown.

Exhibit 12 Drivers Behind Style Migrations for Selected Companies



Source: Morningstar Market Indexes. Data as of Sept. 4, 2026.

Dell's experience illustrates how banding and packeting help distinguish durable fundamental change from short-term market movement. After Dell's price rose more than 170% between the March and June rankings, the change in its value component pushed the company across the breakpoint between value and growth. However, Dell did not immediately leave the large-value index because Morningstar's banding approach requires a company to cross the band before a transition begins. This delay helped test whether the March-to-June appreciation reflected a temporary dislocation. Between June and September, Dell's price rose another 33%, but the key driver of its first packet from large value to large growth was the improvement in its growth fundamentals, reflected in a sharp vertical move. By slowing the transition, the methodology helped ensure Dell's migration from one style to another reflected a meaningful shift in growth trajectory and the durability of its revised valuation rather than short-term market volatility.

Conclusion

The September reconstitution underscored several strengths of the Morningstar Market Indexes methodology:

- Cap segment banding and packeting helped reduce the turnover impact of mega-cap IPOs such as SpaceX, while updated breakpoints accurately captured higher top-level market concentration.
- The multifactor style methodology, supported by style banding and packeting, helped ensure style movements reflected meaningful changes in companies' fundamentals.

Looking ahead, market concentration is becoming more complex. Historically, most IPOs were smaller companies and tended to reduce concentration. SpaceX changed that relationship by adding concentration at the top of the market. With additional mega-cap IPOs expected, including Anthropic and OpenAI, top-level concentration could continue to rise, with important implications for investors evaluating allocations across cap segments. A resilient, rules-based methodology that adapts to major market changes while maintaining consistency over time is essential for accurately measuring category returns and managing this evolution.

Appendix A: Morningstar Market Indexes Performance

Total Return Between Quarterly Reconstitutions

For cap segment definitions, refer to Appendix B.

Exhibit A Morningstar Market Indexes Performance between Quarterly Reconstitutions

	Indexes	9/5/2025 12/5/2025	12/5/2025 3/6/2026	3/6/2026 6/5/2026	6/5/2026 9/4/2026	YTD 12/31/2025 9/4/2026	4 Rankings 9/5/2025 9/4/2026
	Morningstar US Total Market TR USD	5.95%	-1.54%	9.95%	4.82%	13.96%	20.24%
Cap Segments	Morningstar US Mega TR USD	7.26%	-2.74%	10.78%	4.80%	13.29%	21.11%
	Morningstar US Mid TR USD	1.62%	1.65%	6.28%	5.16%	14.28%	15.45%
	Morningstar US Small TR USD	2.17%	2.23%	9.14%	4.34%	17.08%	18.94%
	Morningstar US Micro TR USD	12.16%	0.94%	11.39%	6.72%	21.80%	34.58%
	Morningstar US Core TR USD	5.88%	-1.57%	9.93%	4.80%	13.86%	20.06%
	Morningstar US Large TR USD	6.34%	-2.04%	10.03%	4.85%	13.44%	20.18%
	Morningstar US Ttl Mkt xMeg TR USD	2.32%	1.86%	7.71%	4.90%	15.81%	17.75%
	Morningstar US SMID TR USD	1.86%	1.91%	7.53%	4.80%	15.51%	16.97%
	Morningstar US Small-Micro TR USD	3.15%	2.10%	9.38%	4.59%	17.57%	20.46%
Growth	Morningstar US Mega Grt TR USD	8.06%	-7.58%	13.49%	3.31%	9.52%	17.09%
	Morningstar US Mid Grt TR USD	-0.59%	-4.59%	8.08%	2.50%	7.91%	5.07%
	Morningstar US Small Grt TR USD	3.29%	-0.12%	12.01%	2.19%	15.97%	18.09%
	Morningstar US Core Grt TR USD	7.00%	-6.75%	12.21%	3.13%	9.28%	15.47%
	Morningstar US Large Grt TR USD	6.94%	-7.17%	12.59%	3.08%	9.01%	15.21%
	Morningstar US SMID Grt TR USD	1.67%	-2.38%	9.69%	3.17%	12.49%	12.31%
Value	Morningstar US Mega Val TR USD	5.24%	5.77%	7.22%	7.04%	20.27%	27.75%
	Morningstar US Mid Val TR USD	3.23%	6.19%	4.85%	7.16%	18.79%	23.18%
	Morningstar US Small Val TR USD	1.32%	4.03%	7.03%	5.91%	17.84%	19.49%
	Morningstar US Core Val TR USD	4.42%	5.39%	7.14%	6.97%	20.00%	26.12%
	Morningstar US Large Val TR USD	4.86%	5.63%	6.54%	7.40%	19.86%	26.74%
	Morningstar US SMID Val TR USD	1.99%	5.22%	5.87%	6.06%	17.73%	20.50%

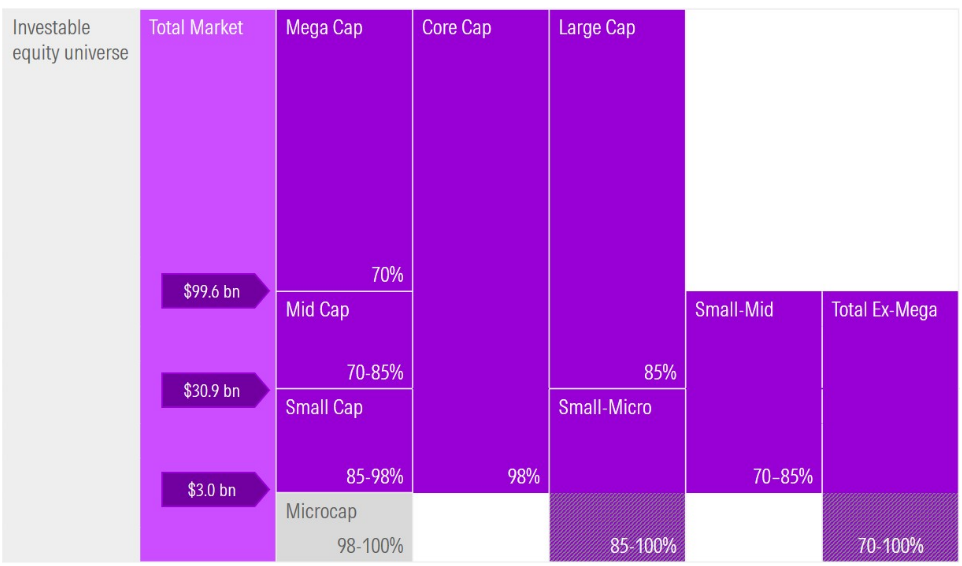
Source: Morningstar Direct, Morningstar Market Indexes. Data as of Sept. 4, 2026

Appendix B: Morningstar Market Indexes Cap Segments

Morningstar Market Indexes Cap Segments

To get the most detailed information on the latest breakpoints, please refer to the following documentation: Morningstar Market Indexes Breakpoints Chart | Morningstar Indexes.

Exhibit B Morningstar Market Indexes Cap Segments Definition



Source: Morningstar Market Indexes. Data as of Sept. 4, 2026

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. 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.

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