

## Morningstar Quarterly Style Monitor: Q2 2024

Big tech in the US shows no signs of losing steam. Taiwan, China, and India help deliver solid performance for the Emerging Markets Index.

### Morningstar Inc.

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Aniket Gor

Lead Quantitative Analyst, Indexes  
Aniket.Gor@morningstar.com

<https://indexes.morningstar.com/>

### Executive Summary

This is the latest installment of the Morningstar Quarterly Style Monitor, which is designed to help investors stay on top of style trends. This publication tracks several members of the Morningstar Broad Style Index family, as well as the recently launched Global Style family, providing insights into their performance drivers and portfolio composition.

### Key Takeaways

- ▶ Despite higher-than-expected inflation, demand for artificial intelligence and better than expected earnings drove large-cap US stocks into positive territory. While the Developed Markets ex-US indexes remained flattish, the emerging markets displayed a strong rally backed by Taiwan tech stocks, China financials and communication services stocks, and a broad rally in India stocks.
- ▶ The margin of outperformance for US large growth versus its value counterpart was highest of the size segments, as Nvidia, Apple, Microsoft, and Amazon.com continue to push the growth indexes higher. In emerging markets, value outperformed growth for 12 of the last 16 quarters.
- ▶ Despite the reconstitution of style indexes in June, changes to sector weights were less pronounced for the style indexes. Apple was a notable addition to the Value Indexes suite, while Samsung Electronics was added to the Emerging Markets Growth Index.
- ▶ Volatility was pronounced in growth relative to value over the past year for US large cap as well as developed ex-US and emerging markets, although the near-term trend seems to be going down.
- ▶ The industrials share of growth indexes has steadily increased for the last few years across the board. For the latest quarter, growth indexes saw a decrease in exposures to the utilities and communication services, while value industries saw an uptick in the same. Emerging markets experienced a shift in financial services, consumer cyclicals, and communication services shedding weights in the growth indexes while moving on to the value side.
- ▶ The US Large Growth index continued to be highly concentrated, with the top 10 assets constituting 69% of the portfolio. Microsoft, Nvidia, Amazon, and Apple alone constituted a staggering 50% of the Morningstar US Large Cap Growth Index.
- ▶ Valuation spreads between growth and value stocks, measured by P/E (trailing 12 months) increased over the past quarter. As of June, the growth-value P/E spread was in the top quintile of historical distributions for all size bands and regions. Comparatively higher valuation spreads have historically presaged subpar returns for the more expensive style.

## Performance Highlights

### Returns

For the last few quarters, two topics dominated the narrative for the equity markets: expectation of Fed rate cuts and AI. Despite the step-down in the number of rate cuts for 2024, for the second quarter of 2024, the US markets returned 3.32% as the demand for AI and better-than-expected earnings overshadowed the higher-than-expected inflation. Under the hood, Big Tech drove the majority of the returns again. Not surprisingly, in the US, large-cap growth was the best-performing segment, delivering 11.34% returns for the latest quarter. Mid- and small-cap segments, on the other hand, ended the quarter in negative territory, with mid-cap value providing some downside cushion compared with its growth counterpart.

Globally, where our style family is built by applying Morningstar Indexes' Broad Style methodology to our suite of Target Market Exposure indexes (targeting large- and mid-cap stocks representing 85% of the investable market), the dynamics closely mirrored those in the US overall, with growth stocks outperforming the broad market benchmark and value stocks failing to keep up with their corresponding broad market benchmarks. Outside of the US, emerging markets (positive 5.05% return) outperformed the developed markets ex-US (negative 0.45% return), and emerging-markets value was the best-performing segment, returning a solid 5.35% for the latest quarter.

Across horizons, growth style delivered significant returns over the value style, particularly in the US large-cap segment. Value, however, sees some redemption in the mid-cap and small-cap segments of the US market, where we observe pockets of outperformance versus growth over longer time spans. In the cases where value underperformed growth, the differential is not as striking as the large-cap segment.

Outside of the US, the value strategy delivered better risk-adjusted returns over one-year, five-year, as well as 10-year time horizons.

**Exhibit 1** Performance Characteristics up to June 2024

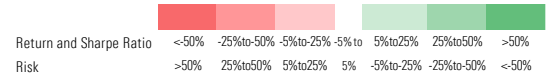
US	1 Qr			YTD			1 Yr			5 Yr			10 Yr			Since Inception*		
	Return	Risk	Sharpe	Return	Risk	Sharpe	Return	Risk	Sharpe	Return	Risk	Sharpe	Return	Risk	Sharpe	Return	Risk	Sharpe
Morningstar US Market Extended	3.32	5.34	0.37	13.71	7.74	1.31	23.39	15.29	1.10	14.14	18.70	0.68	12.19	15.78	0.71	9.00	15.98	0.49
Morningstar US Market Broad Growth Extended	7.09	7.14	0.78	19.05	10.33	1.44	29.79	17.36	1.28	16.29	20.94	0.72	14.18	17.45	0.76	8.87	18.41	0.44
Morningstar US Market Broad Value Extended	-0.60	4.88	-0.37	8.26	6.75	0.79	16.80	14.14	0.78	11.26	18.26	0.55	9.81	15.35	0.58	8.66	15.19	0.49
Value Relative to Growth																		
Morningstar US Large Cap	6.08	5.55	0.82	17.83	7.99	1.70	28.26	14.37	1.43	16.02	18.18	0.79	13.46	15.35	0.80	8.83	15.60	0.49
Morningstar US Large Broad Growth	11.34	8.07	1.17	24.92	11.55	1.71	37.39	17.32	1.62	19.12	21.50	0.82	15.99	17.75	0.84	9.00	18.32	0.45
Morningstar US Large Broad Value	0.51	4.61	-0.16	10.49	6.20	1.17	18.75	12.52	1.00	11.98	17.00	0.62	10.44	14.44	0.65	8.13	14.59	0.47
Value Relative to Growth																		
Morningstar US Mid Cap	-3.33	5.60	-0.80	5.25	8.07	0.33	12.74	18.13	0.44	10.07	20.53	0.46	9.69	17.17	0.53	9.48	17.60	0.48
Morningstar US Mid Cap Broad Growth	-3.92	6.32	-0.80	5.54	9.22	0.33	12.23	19.79	0.40	10.01	21.19	0.45	10.36	17.78	0.55	8.62	19.85	0.41
Morningstar US Mid Cap Broad Value	-2.64	5.51	-0.70	4.88	7.94	0.29	13.19	17.09	0.49	9.43	21.41	0.42	8.66	17.64	0.47	9.86	17.36	0.51
Value Relative to Growth																		
Morningstar US Small Cap Extended	-3.62	7.56	-0.63	1.26	11.55	-0.07	10.05	22.57	0.29	7.33	24.00	0.32	7.02	20.47	0.36	8.46	20.34	0.40
Morningstar US Small Broad Growth Extended	-2.35	7.52	-0.45	3.71	11.71	0.14	10.30	22.56	0.30	6.48	23.06	0.29	7.51	20.02	0.38	7.15	22.46	0.33
Morningstar US Small Broad Value Extended	-4.82	7.92	-0.75	-1.10	11.94	-0.26	9.81	22.95	0.27	8.49	26.14	0.36	6.65	21.79	0.33	9.59	19.93	0.46
Value Relative to Growth																		
<b>Global</b>																		
Morningstar Global Target Market Exposure	3.06	4.39	0.39	11.57	6.21	1.31	19.97	14.18	0.97	11.30	17.37	0.57	9.00	14.77	0.55	7.97	16.69	0.48
Morningstar Global Growth	5.67	5.53	0.75	15.27	7.94	1.44	23.56	15.88	1.07	12.41	18.56	0.60	10.30	15.58	0.61	8.84	16.91	0.53
Morningstar Global Value	0.21	4.19	-0.25	7.63	5.63	0.83	16.11	13.31	0.78	9.56	17.81	0.47	7.38	15.07	0.44	7.01	16.99	0.42
Value Relative to Growth																		
Morningstar Developed Markets ex-US	-0.45	5.57	-0.30	5.38	7.28	0.38	11.88	14.65	0.46	7.29	17.75	0.36	4.88	15.18	0.28	4.43	17.72	0.27
Morningstar Developed Markets ex-US Growth	-0.46	5.50	-0.30	6.12	7.44	0.47	10.02	16.54	0.32	6.98	17.79	0.34	5.46	15.04	0.32	4.58	17.01	0.29
Morningstar Developed Markets ex-US Value	-0.57	5.95	-0.30	4.43	7.57	0.25	13.49	13.72	0.59	7.20	19.18	0.34	4.13	16.36	0.23	4.26	18.98	0.26
Value Relative to Growth																		
Morningstar Emerging Markets	5.05	6.26	0.59	7.61	8.36	0.59	13.42	15.41	0.54	4.14	18.27	0.19	3.81	16.83	0.21	3.48	20.69	0.22
Morningstar Emerging Markets Growth	4.73	6.17	0.55	7.66	8.13	0.61	12.03	15.65	0.45	2.78	18.57	0.12	3.23	16.68	0.18	3.38	20.41	0.21
Morningstar Emerging Markets Value	5.35	6.60	0.61	7.58	8.93	0.55	14.63	15.37	0.61	5.26	19.24	0.24	4.26	18.06	0.23	3.94	21.16	0.24
Value Relative to Growth																		

Source: Morningstar Direct.

Returns longer than 1 year annualized.

All index performance data displayed are for Total Return USD variants.

\*This includes performance back-tested to the end of June 1997 for U.S. indexes and June 2008 for Global indexes.



Tracking the return differentials between value and growth paints an interesting picture for style investing. The year 2020 saw growth indexes dominating across the board, with substantial differentials over value indexes. However, value indexes outpaced growth for most of the quarters between 2021 and 2022. The year 2023 moved the needle back in favor of growth stocks, primarily fueled by investors' enthusiasm in the applications of AI across businesses as well as expectations of a soft landing and Fed rate cuts. Emerging markets, on the other hand, have bucked this trend, with the value style outperforming growth for 12 out of 16 quarters since the end of 2020.

**Exhibit 2** Quarterly Value Minus Growth Performance Differential (%)

	2019				2020				2021				2022				2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
US Broad	-4.54	-1.85	2.27	-1.61	-11.57	-11.02	-5.68	3.22	9.16	-6.04	-1.81	0.62	8.46	10.82	-2.23	11.06	-11.90	-7.59	2.17	-3.67	-2.26	-7.69
US Large	-4.32	-1.45	1.83	-1.77	-11.09	-11.82	-6.82	4.00	7.43	-7.51	-2.26	-0.26	6.88	12.72	-2.18	13.48	-13.97	-9.43	2.18	-5.07	-2.26	-10.83
US Mid	-5.46	-3.14	3.75	-1.57	-12.72	-10.25	-3.04	0.57	13.04	-4.65	-1.05	1.69	13.71	5.61	-2.02	4.37	-6.67	-2.92	1.99	-0.69	-2.12	1.28
US Small	-4.09	-2.08	2.13	-0.57	-12.27	-5.13	-2.67	3.69	14.10	1.26	1.92	4.25	10.15	5.95	-3.33	5.99	-7.47	-2.60	3.14	1.15	-2.31	-2.47
Global	-3.80	-1.50	0.22	-0.90	-11.21	-8.44	-6.44	6.02	8.14	-4.97	-0.07	0.00	9.59	7.83	-1.56	7.97	-8.54	-4.27	3.49	-3.29	-1.67	-5.47
Developed Ex US	-3.51	-2.79	-1.73	0.12	-10.96	-5.14	-6.12	6.53	8.46	-2.74	-0.63	-1.75	11.43	3.94	-0.85	3.35	-4.52	0.99	7.20	-3.09	-1.58	-0.11
Emerging	-3.01	1.59	-2.58	-1.64	-7.47	-9.28	-7.00	10.63	4.09	-1.02	8.73	4.27	7.60	-2.37	-1.10	2.82	3.01	2.74	0.92	1.55	-0.69	0.62

Source: Morningstar Direct.

We shed more light on the drivers of fourth-quarter returns in the Performance Attribution section.

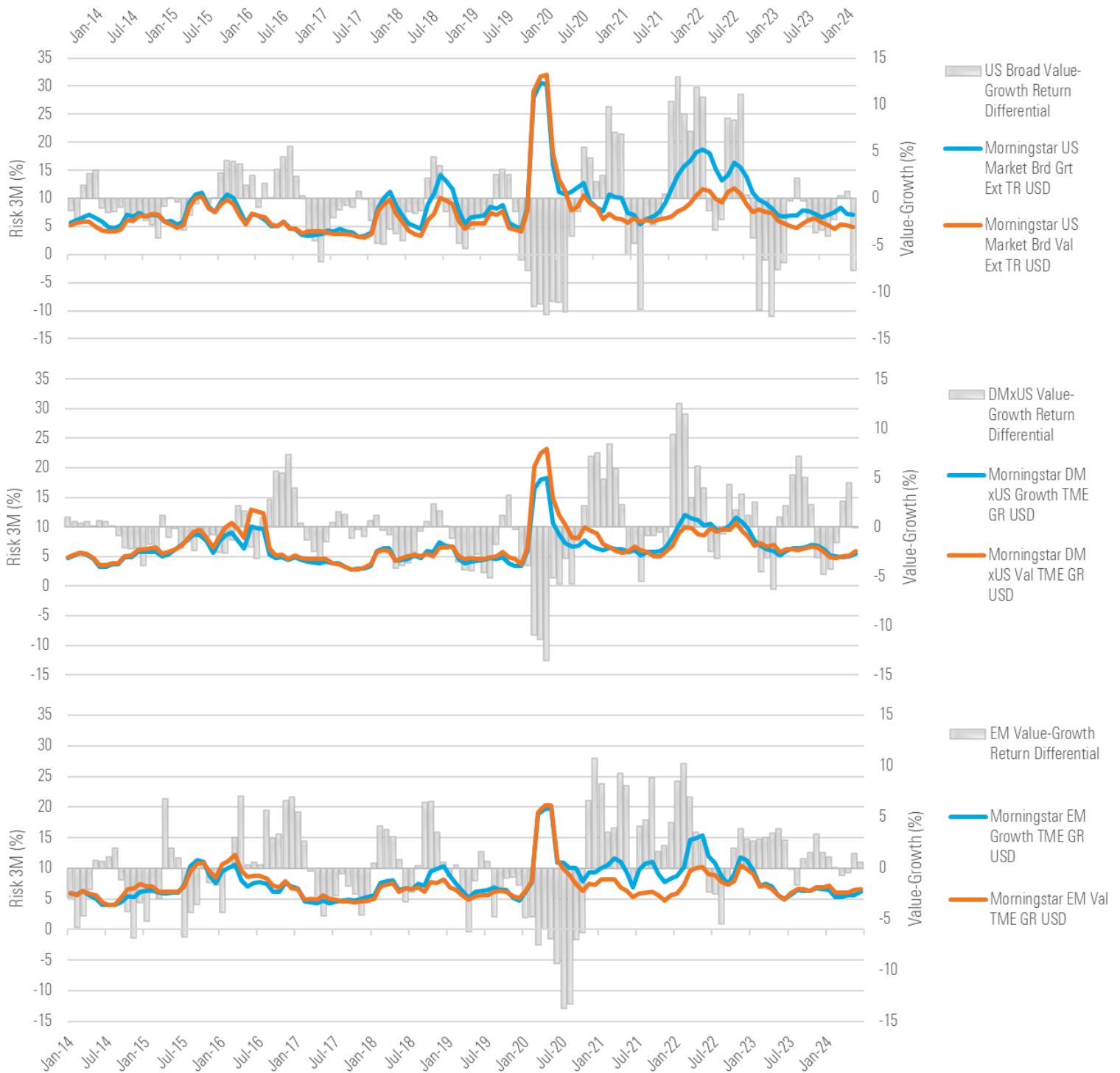
### Risk

Not surprisingly, over long-term time horizons, smaller-cap stocks in the US have tended to exhibit greater volatility and sensitivity to market fluctuations than their larger counterparts, as Exhibit 1 shows. Such companies tend to have more-volatile earnings as they are more leveraged to the vagaries of niche markets and have a lower likelihood of enjoying durable competitive advantages relative to larger stocks.

The same pattern is observed across the one-year time horizon ended in the first quarter of 2024, where the expected risk behavior with respect to the company size is back on track, compared with the period from 2022 to the first half of 2023, which had large caps being more volatile than small caps over short-term time horizons. Such deviations from academic expectations can occur during turbulent markets such as in 2022-23, but they rarely hold over the long term. The five-year, 10-year, and since-inception data in Exhibit 1 confirms this hypothesis. In addition to structural characteristics of the larger-cap indexes (including higher concentration and larger stocks being more prone to frequent news flow that can drive short-term trading activity), fluctuations in sector weightings also play a role in driving short-term volatility.

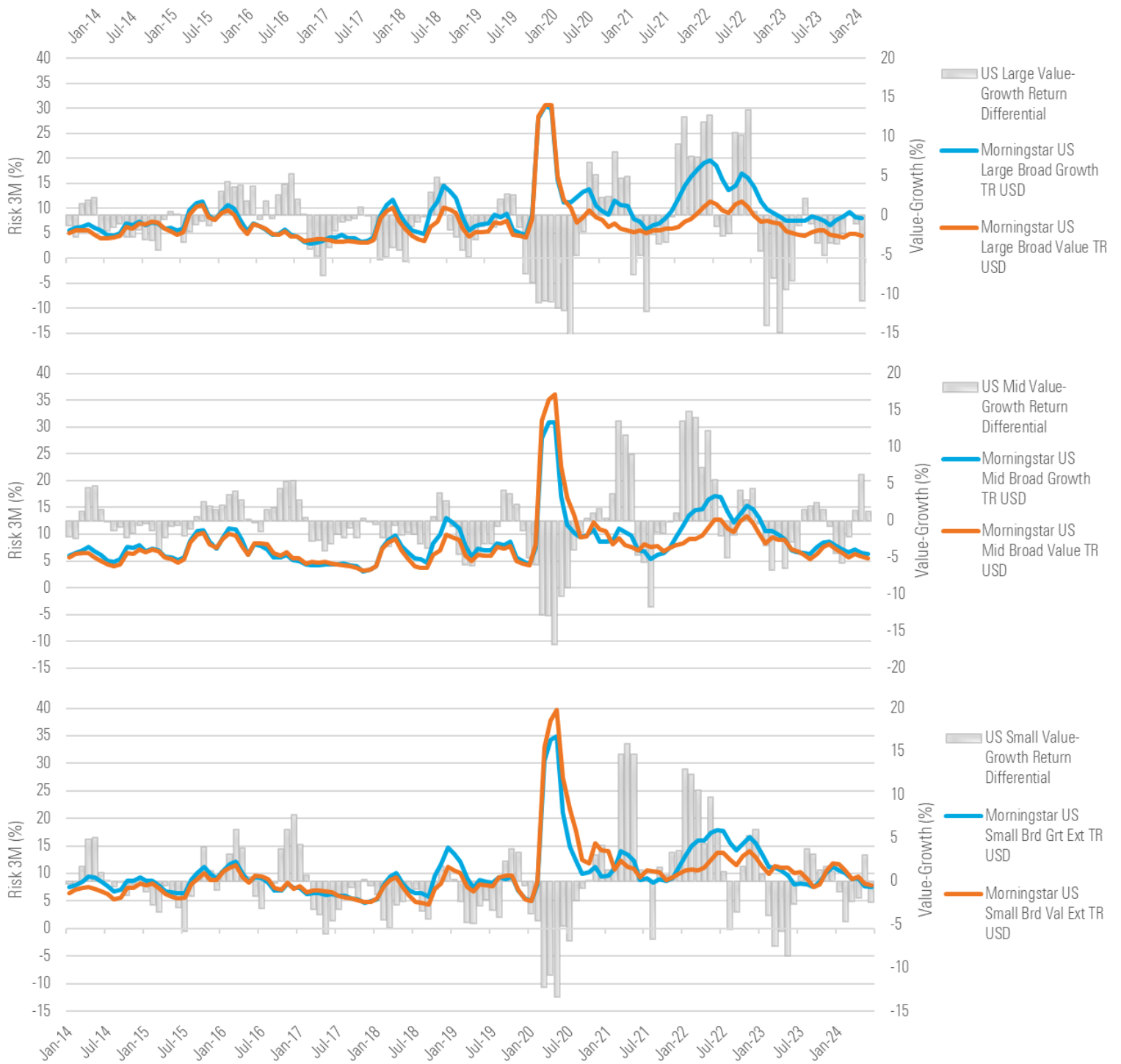
Regardless of size, value and growth stocks in the US have tended to exhibit similar risk characteristics with each other over the past decade, though specific periods have influenced this pattern. For example, growth stocks were a bit more volatile over the longest look-back period from July 1997 through March 2024. This is partly attributable to the dot-com bubble and subsequent correction during the early 2000s and to the 2008 financial crisis. More recently, we observe the divergence postpandemic in the years 2021 to 2023. Interestingly, in the US, the period of positive value minus growth return differential fairly overlaps with periods when the growth and value stocks experienced a divergence in their risk spread.

**Exhibit 3.1** Rolling Three-Month Risk vs. Value-Growth Differential for US, Developed Markets ex-US, and Emerging Markets



Source: Morningstar Direct. Data from January-2014 to June-2024.

**Exhibit 3.2** Rolling Three-Month Risk vs. Value-Growth Differential for US Size Segments



Source: Morningstar Direct. Data from January-2014 to June-2024.

## Portfolio Highlights

### June Reconstitution

Morningstar's broad style index family was reconstituted in June (the next reconstitution will be in December) according to its reconstitution schedule. As a result, the composition of the indexes changed more noticeably between the first and second quarters than they did between the previous two quarters. Changes can be driven by corporate actions, style and size migration, or price fluctuations of existing constituents. Exhibit 4 shows the top five new constituents added to each index during the June reconstitution.

**Exhibit 4** Top Five Additions to Each Index in June 2024

Index	Additions
Morningstar US Market Broad Growth Extended	Applied Materials (0.3%), Lam Research (0.21%), American Express (0.18%), Blackstone (0.16%), Newmont (0.11%)
Morningstar US Market Broad Value Extended	Apple (5.75%), Vertex Pharmaceuticals (0.25%), Constellation Energy (0.24%), CRH PLC (0.19%), Trane Technologies PLC (0.13%)
Morningstar US Large Broad Growth	CrowdStrike Holdings (0.47%), Applied Materials (0.41%), TransDigm Group (0.38%), Marvell Technology (0.32%), Lam Research (0.29%)
Morningstar US Large Broad Value	Apple (7.86%), NXP Semiconductors (0.36%), Vertex Pharmaceuticals (0.34%), Constellation Energy (0.33%), CRH PLC (0.27%)
Morningstar US Mid Cap Broad Growth	AutoZone (1.01%), Hess Corporation (0.8%), Fortinet (0.75%), Lululemon Athletica (0.68%), Newmont (0.54%)
Morningstar US Mid Cap Broad Value	Norfolk Southern (1.02%), Valero Energy (0.98%), Sempra (0.95%), Aflac (0.93%), Humana (0.86%)
Morningstar US Small Broad Growth Extended	CubeSmart (0.47%), KBR (0.4%), Match Group (0.38%), Chemed (0.38%), Lattice Semiconductor (0.37%)
Morningstar US Small Broad Value Extended	C.H. Robinson Worldwide (0.48%), Annaly Capital Management (0.48%), Henry Schein (0.41%), Pinnacle West Capital (0.4%), Range Resources (0.38%)
Morningstar Global Growth	Samsung Electronics Ltd (0.49%), Applied Materials (0.25%), Wesfarmers Limited (0.14%), Blackstone (0.13%), Super Micro Computer (0.12%)
Morningstar Global Value	Apple (3.93%), Adobe (0.3%), Nike (0.2%), Booking Holdings (0.19%), Schlumberger Ltd (0.18%)
Morningstar DM xUS Growth	Wesfarmers Limited (0.55%), Tokio Marine Holdings (0.4%), Flutter Entertainment PLC (0.33%), Zurich Insur (0.32%), 3i Group (0.31%)
Morningstar DM xUS Value	Suncor Energy (0.53%), UBS Group AG (0.39%), Diageo PLC (0.39%), Prosus N.V. (0.3%), Fujitsu Limited (0.28%)
Morningstar EM Growth	Samsung Electronics Ltd (4.25%), Samsung Electr Pfd (0.55%), America Movil, S.A.B. de C.V. (0.23%), Tata Steel Ltd (0.2%), Alteogen (0.19%)
Morningstar EM Value	SK Hynix (1.48%), Trip.com Group Ltd (0.28%), Kuwait Finance House (0.25%), Emirates Telecommunications Group (0.23%), Samsung SDI (0.21%)

Source: Morningstar Direct. Data as of June 30, 2024.

### Sectors

There are persistent differences in growth rates and valuations across sectors, leading to diverging sector weightings across the value and growth indexes, which can affect performance. Within the US, the Morningstar US Market Large Broad Growth Index is highly skewed toward the technology sector, which commands 55% of the index weight as of June 30, 2024. The value index, on the other hand, has a balanced exposure to financial services, healthcare, consumer defensive, and industrials.

**Exhibit 5.1** Historical Sector Weights Distribution for US, Developed Markets ex-US, and Emerging Markets. (Each bar further displays the quarterly sector weight for the respective sector from June 2019 to June 2024.)



Source: Morningstar Direct. Data June-2019 to June-2024.



Interestingly, these sector tilts become less nuanced globally. For example, in developed markets outside the US, healthcare, consumer defensive, and industrials, while underweight in the US growth index, are overweight in growth indexes outside of the US. Morningstar Emerging Markets Value Index is more skewed to the technology sector, which is contrary to what we observe in the US and developed markets ex-US.

In the US, there are also notable sector differences along the market-cap spectrum. In the Morningstar US Large Cap Index, value stocks are found predominantly in financial services, healthcare, technology, and industrials, while the Mid Cap Value Index has a balanced exposure across multiple cyclical and defensive industries. The Small Cap Value Index follows the mid-cap suite with high concentration in financial services, industrials, and consumer cyclicals. Large-cap growth stocks are found in technology and consumer cyclicals, whereas mid- and small-cap growth stocks are found in technology, industrials, and healthcare.

Looking at the historical changes in sector weights, except for US large-cap growth index, industrials are gaining weight in the growth indexes across board.

**Exhibit 5.2** Historical Sector Weights Distribution for US Size Segments. (Each bar displays the quarterly sector weight for the respective sector from June 2019 to June 2024.)



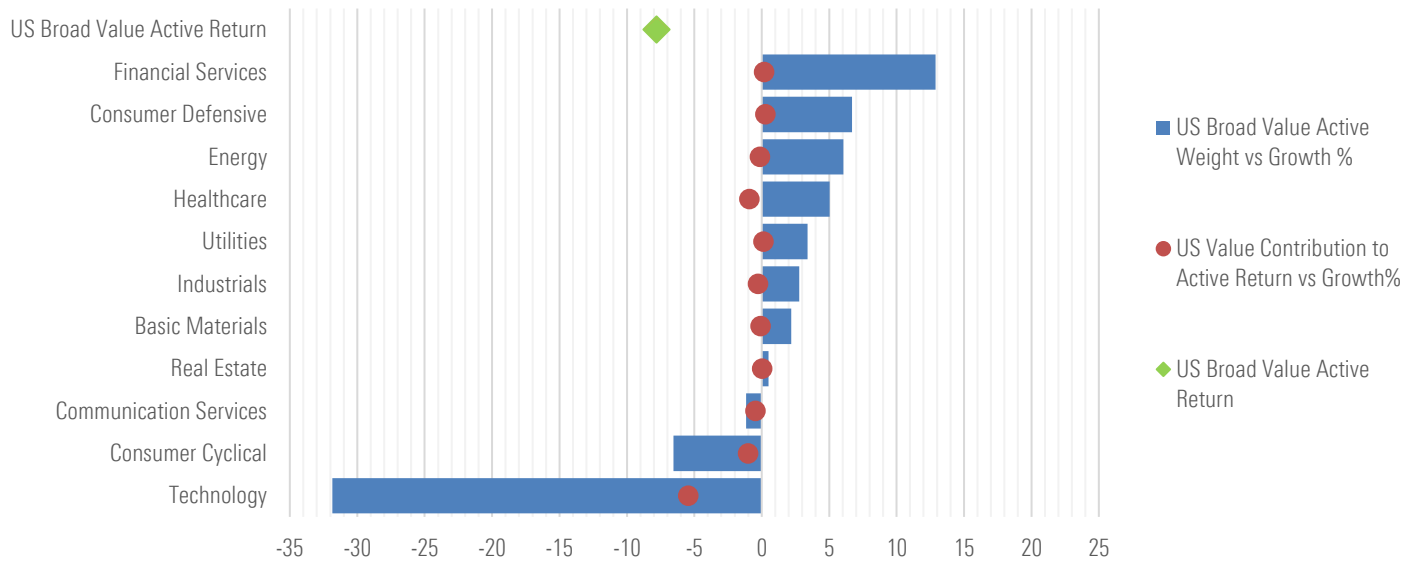
Source: Morningstar Direct. Data June-2019 to June-2024.

### Performance Attribution

#### US

The Morningstar US Market Broad Value Index underperformed the Broad Growth Index by 7.8%. Technology heavily contributed toward this underperformance, followed by consumer cyclical and healthcare.

**Exhibit 6.1** Active Sector Weights and Their Respective Contribution to Active Returns for the US Broad Value vs. Growth Index



Source: Morningstar Direct. Data as of June 30, 2024.

From the perspective of the value index, excluding Nvidia (positive 37% return) contributed negative 3.06% of the negative 7.8% active return. Lack of exposure to Apple (positive 23% return), Microsoft (positive 6.42% return), and Amazon (positive 7.13% return) further widened values' underperformance gap. On the positive side, overweighting Broadcom (positive 21.5% return), Qualcomm (positive 18% return), Walmart (positive 12% return), and Applied Materials (positive 14% return) helped the value index recoup some of the losses, though the active weight was not enough to counter the damage incurred by heavily underweighting the mega-cap technology stocks. Exhibit 6.2 shows the top and bottom contributors to the active return of the US Broad Value index over Broad Growth index.

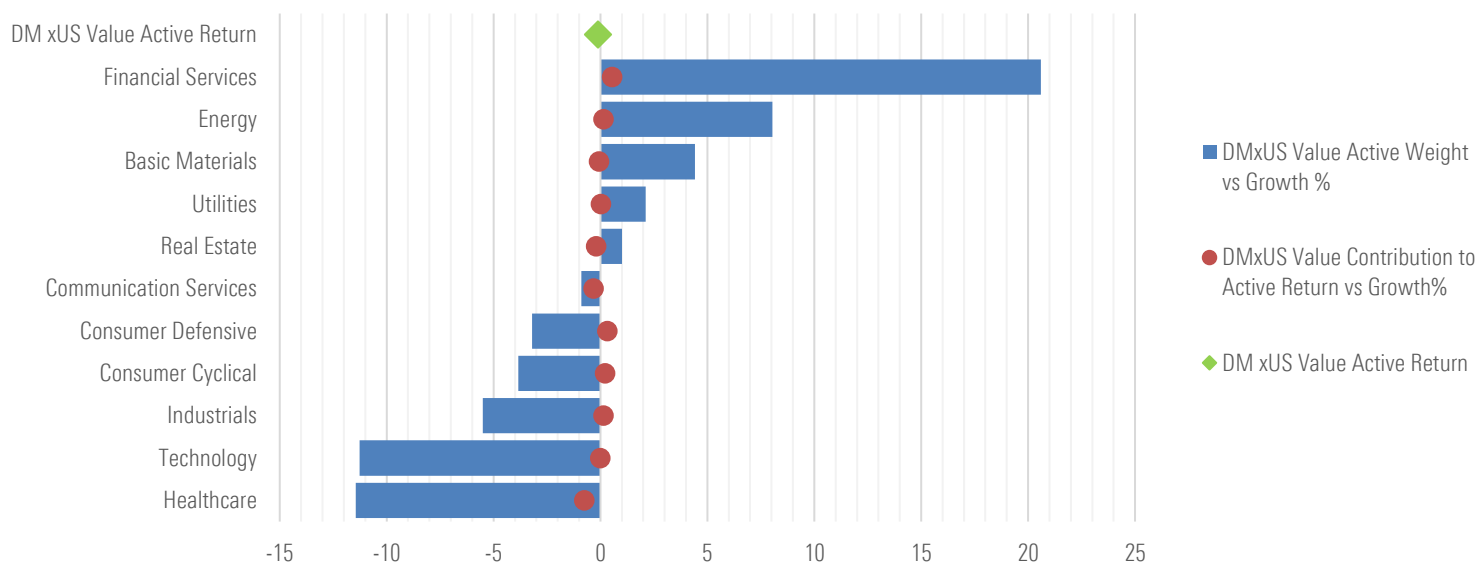
**Exhibit 6.2** Top and Bottom Contributors to the Active Return for the US Broad Value vs. Growth Index

Name	Active Weight	3M Return	Contr. to Active Return	Name	Active Weight	3M Return	Contr. to Active Return
Broadcom	0.84	21.53	0.18	NVIDIA	-8.85	36.74	-3.06
Salesforce	-0.98	-14.64	0.16	Apple	-10.11	22.99	-2.22
Qualcomm	0.83	18.14	0.14	Microsoft	-11.84	6.42	-0.78
Walmart	1.12	12.92	0.14	Amazon.com	-6.49	7.13	-0.47
Mastercard Class A	-1.49	-8.27	0.13	Eli Lilly and Co	-2.62	16.57	-0.42
Applied Materials	0.71	14.64	0.10	Tesla	-1.94	12.57	-0.24
Visa Class A	-1.69	-5.78	0.10	Intel	0.62	-29.60	-0.22
Texas Instruments	0.69	12.46	0.08	Alphabet Class A	-0.78	20.82	-0.15
Philip Morris International	0.62	12.04	0.07	The Home Depot	1.45	-9.65	-0.15
Amgen	0.64	10.68	0.07	Alphabet Class C	-0.71	20.60	-0.14
<b>US Value Active Return</b>			<b>-7.80</b>				
						Overweight and +ve 3M return	
						Underweight and +ve 3M return	

Source: Morningstar Direct. Data as of June 30, 2024.

**Developed Markets ex-US**

The style segments for the Morningstar Developed Markets ex-US Market Index ended the quarter relative flat, returning negative 0.46% and negative 0.57%, respectively. For value versus growth, overallocation to financial services worked in favor of the value index, while underallocation to healthcare worked against it. Some of the notable positive contributors in financial services included HSBC Holding (positive 14% return), Tokio Marine Holdings (positive 19% return), and Sumitomo Mitsui Financial Group (positive 13.45% return). On the healthcare front, excluding Novo Nordisk (positive 13.26% return) and AstraZeneca (positive 15.79% return) proved to be the leading detractors for the value index.

**Exhibit 7.1** Active Sector Weights and Their Respective Contribution to Active Returns for the Developed Markets ex-US Value vs. Growth Index

Source: Morningstar Direct. Data as of June 30, 2024.

For the developed markets ex-US, the positive contribution to active return primarily came by avoiding losers, while overweighted stocks' poor performance negatively affected the value index.

**Exhibit 7.2** Top and Bottom Contributors to the Active Return of Developed Markets ex-US broad Value vs. Growth Index

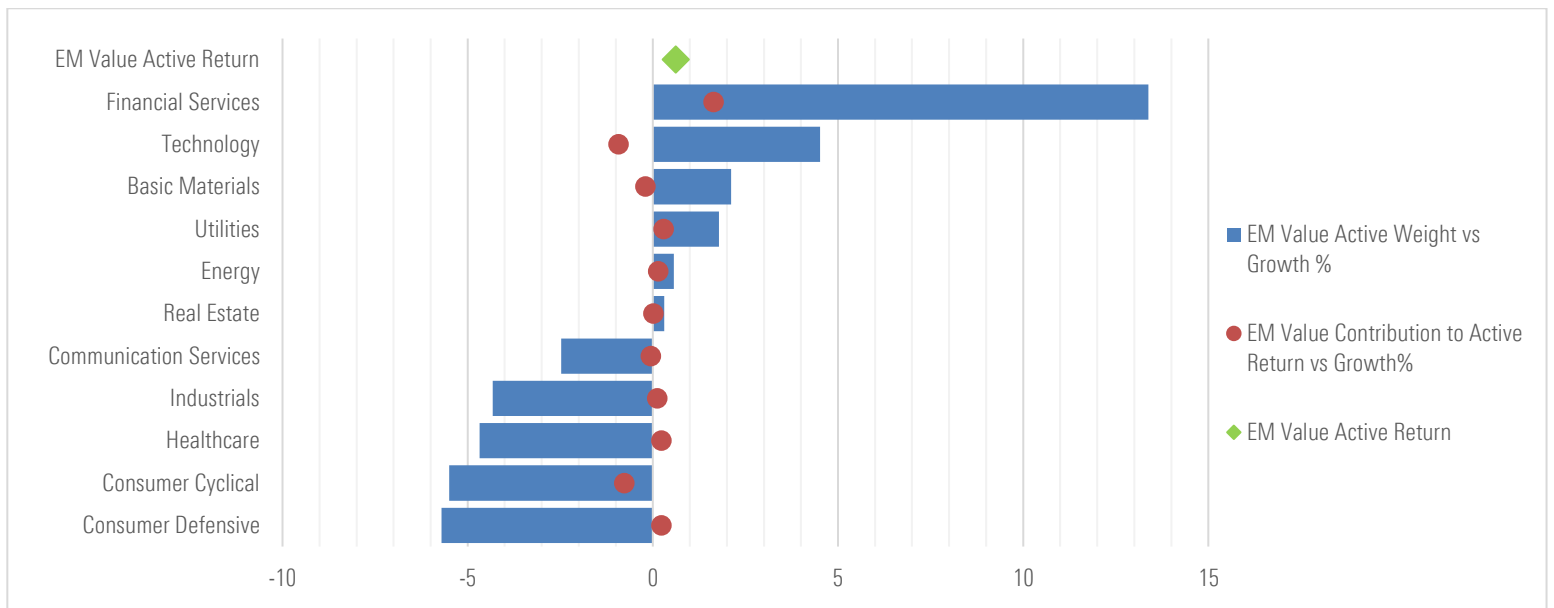
Name	Active Weight	3M Return	Contr. to Active Return	Name	Active Weight	3M Return	Contr. to Active Return
Lvmh Moet Hennessy Louis Vuitton	-2.28	-14.26	0.34	Novo Nordisk A/S Class B	-4.66	13.26	-0.60
Airbus	-1.07	-24.13	0.27	AstraZeneca	-2.41	15.79	-0.34
HSBC Holdings	1.82	14.45	0.24	ASML Holding	-3.88	7.46	-0.30
Shell	2.55	9.06	0.22	Stellantis	0.56	-25.77	-0.17
Adyen	-0.45	-29.55	0.16	Mitsubishi Corp	1.02	-15.26	-0.16
Tokio Marine Holdings	0.72	19.95	0.14	Recruit Holdings Co	-0.76	21.23	-0.15
Shopify	-0.85	-14.41	0.13	Bank of Montreal	0.74	-13.09	-0.10
Diageo	-0.83	-14.85	0.13	Honda Motor Co	0.64	-14.54	-0.10
Sumitomo Mitsui Financial Group	0.89	13.45	0.12	Banco Bilbao Vizcaya Argentaria	0.71	-12.86	-0.10
Fast Retailing Co	-0.49	-18.70	0.10	The Toronto-Dominion Bank	1.18	-7.86	-0.09
<b>DMxUS Value Active Return</b>			<b>-0.11</b>				
							Overweight and +ve 3M return
							Underweight and +ve 3M return

Source: Morningstar Direct. Data as of June 30, 2024.

### Emerging Markets

The Emerging Markets delivered positive returns for both value and growth style, with value marginally outperforming growth by 0.62%. Overweighting financial services, particularly in China and Taiwan, positively contributed toward the outperformance of value. On the other hand, the value index gave up some of the gains relative to growth by underweighting SK Hynix (positive 26.39% return) and TSMC (positive 23.27% return).

**Exhibit 8.1** Active Sector Weights and Their Respective Contribution to Active Returns for the Emerging Value vs. Growth Index



Source: Morningstar Direct. Data as of June 30, 2024.

Consumer cyclicals in China and India were another source of detractors for the value index, which was underweight PDD Holdings, Meituan, BYD Co, and Trop.com Group in China and Mahindra & Mahindra in India.

**Exhibit 8.2** Top and Bottom Contributors to the Active Return of Emerging Markets Value vs. Growth Index

Name	Active		Contr. to Active Return	Name	Active		Contr. to Active Return
	Weight	3M Return			Weight	3M Return	
Hon Hai Precision Industry Co	1.52	39.35	0.58	Taiwan Semiconductor Manufacturing Co	-3.74	23.27	-0.85
China Construction Bank Class H	1.64	22.54	0.34	SK Hynix	-1.98	26.39	-0.54
Li Auto Ordinary Shares - Class A	-0.37	-41.90	0.19	Mahindra & Mahindra	-0.73	49.23	-0.32
Industrial And Commercial Bank Of China Class H	1.00	18.05	0.17	PDD Holdings ADR	-2.29	14.37	-0.29
Bank Of China Class H	0.91	19.49	0.16	Meituan Class B	-1.97	15.05	-0.28
Hyundai Motor Co	0.67	23.83	0.16	Samsung Electronics Co	7.36	-3.27	-0.26
Firstrand	0.49	29.19	0.14	Reliance Industries	-3.95	5.37	-0.22
Samsung SDI Co	-0.44	-26.49	0.13	ICICI Bank	-1.92	9.74	-0.18
HLB Co	-0.22	-45.61	0.12	Bharti Airtel	-1.00	17.56	-0.17
PetroChina Co Class H	0.51	22.48	0.10	BYD Co Class H	-0.74	17.08	-0.12
<b>EM Value Active Return</b>			<b>0.62</b>				
						Overweight and +ve 3M return	
						Underweight and +ve 3M return	

Source: Morningstar Direct. Data as of June 30, 2024.

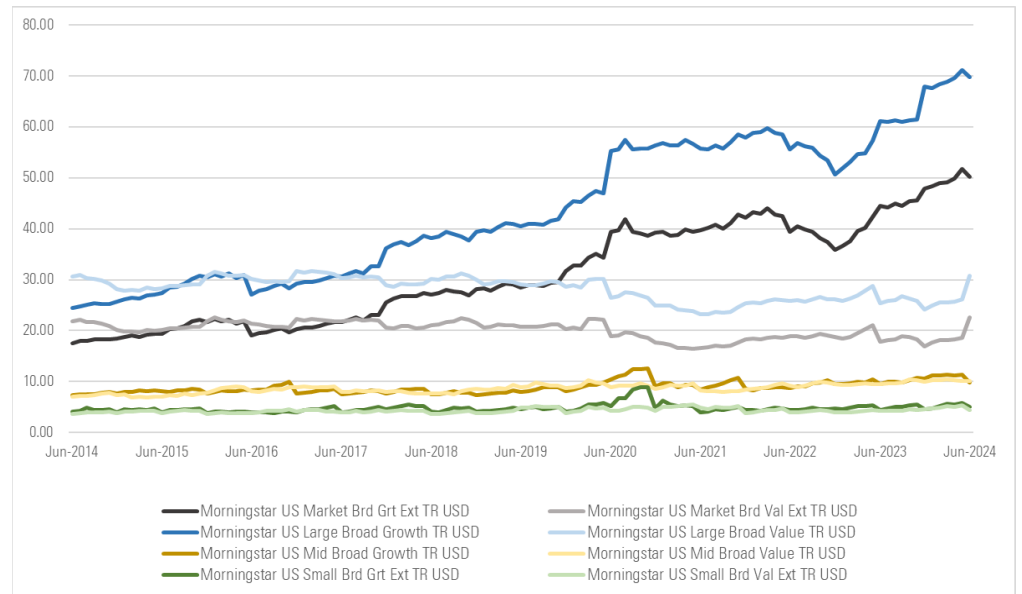
**Concentration**

The broad style indexes all skew toward the larger names within their respective segments, owing to market-cap weighting. This weighting approach reflects the composition of the opportunity set and allows companies to become a bigger part of the portfolios as they grow within each market-cap segment.

Concentration is most pronounced in the large-cap indexes (as shown in Exhibit 9, particularly in the Morningstar US Large Broad Growth Index, where the percentage of assets in the top 10 constituents has grown from 44% at the end of December 2019 to roughly 69% five years later. The market has become more concentrated as the largest growth stocks have outperformed. This not only increased their market-cap weightings but also reduced the number of large-growth stocks required to reach 50% coverage of the large-cap market, reducing the number of stocks in the portfolio. Today, the Morningstar US Large Broad Growth Index holds 88 stocks, down from 164 five years ago. Moreover, the largest constituent in the index today (Microsoft) comprises over 18% of the portfolio, with Nvidia following closely at a little under 16%, whereas six years ago, the equivalent weight for the largest holding (Microsoft) was less than half of today's number, just over 9%. The Morningstar US Large Value Index is relatively diversified, with top 10 holdings constituting 31% of the total portfolio and the medium-term trend holding around 20% since 2020.

The small- and mid-cap indexes have far less concentration in their top 10 constituents, as there is a natural cap on how large constituents can grow before they advance to the next market-cap segment.

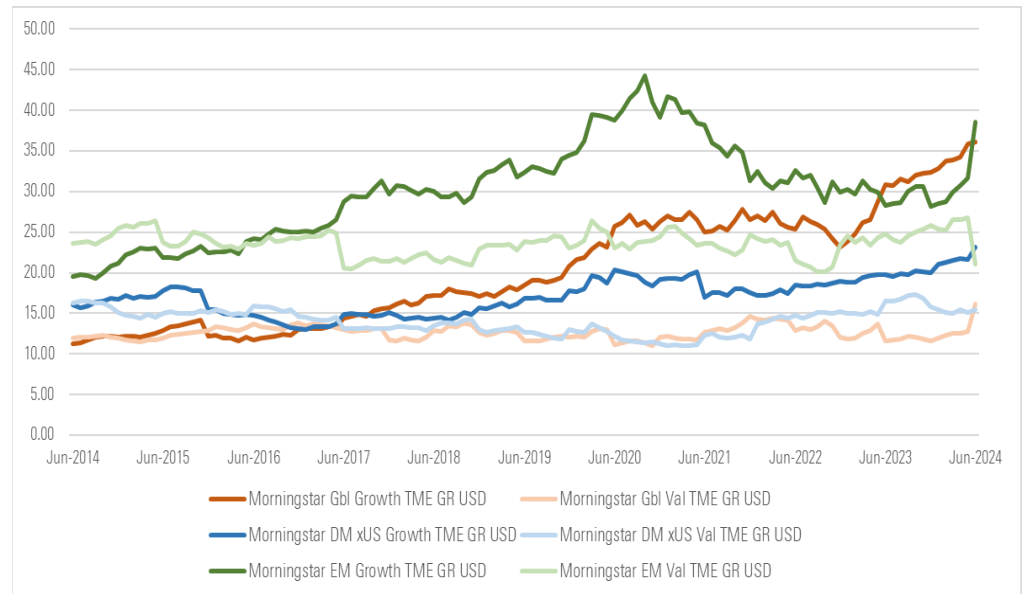
**Exhibit 9** Percentage of Portfolio in Top 10 Holdings—US



Source: Morningstar Direct. Data as of June 30, 2024.

Exhibit 10 shows concentration trends for the style indexes across emerging markets and ex-US developed markets, along with the corresponding parent indexes. Concentration has been perennially higher in emerging markets, particularly in the growth index, which implies that there are factors endemic to these markets that facilitate greater concentration of capital. Additionally, while the portfolios largely seem to be getting more concentrated over time, the recent trend in the Morningstar Emerging Markets Growth Index is interesting, with concentration falling precipitously since October 2020 until this quarter. This is partially due to the underperformance of Chinese mega-caps like Alibaba and Tencent, which have been beleaguered by regulatory crackdowns on gaming, digital commerce, and the like. For the second quarter of 2024, the rebound in TSMC (positive 25% returns) pushed the weight from 10% from March 2024 to 17% as of June month-end.



**Exhibit 10** Percentage of Portfolio in Top 10 Holdings — Global

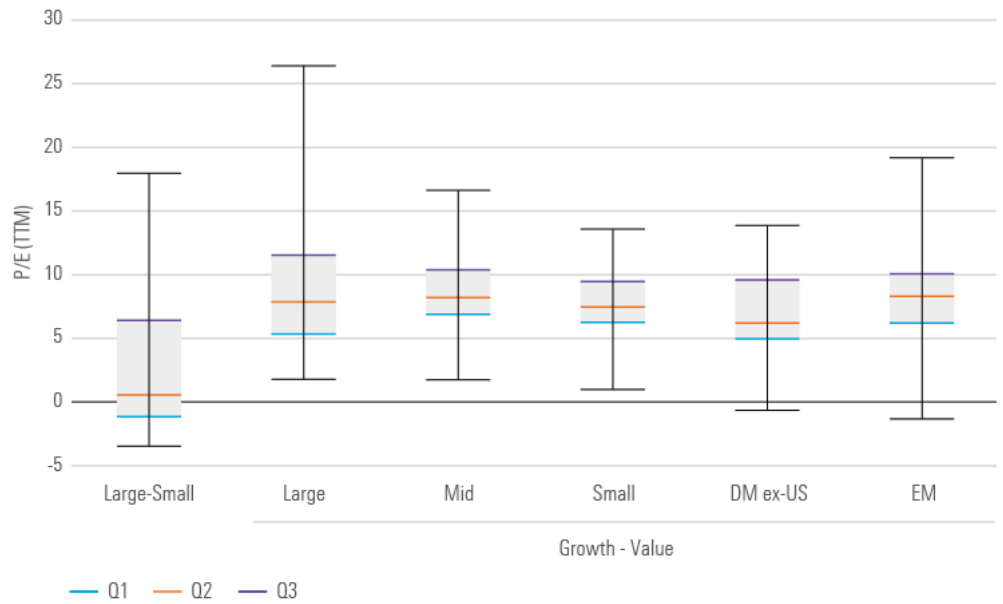
Source: Morningstar Direct. Data as of June 30, 2024.

## Valuations

By definition, growth stocks trade at higher valuations than value stocks. After years of stronger performance, growth stocks have become more expensive relative to value stocks. This trend holds true both in the US and globally, as illustrated in Exhibits 11 through 17. These figures show the spread between the trailing 12-month P/E ratios of the growth and value indexes in the Morningstar Broad Style family for each of the three market-cap segments, as well as for the ex-US developed-markets and emerging-markets regions of the Global Style family. It also includes this spread data for the Morningstar US Large Cap Index and the Morningstar US Small Cap Extended Index, along with historical distributions for all the spreads.

After a volatile 2022, which saw a broad selloff in the first three quarters followed by a recovery since the fourth quarter, relative valuations for growth stocks increased noticeably compared with the end of 2022 across all size segments and regions. As of June, the growth-value P/E spread was in the top quintile of historical distributions for all size bands and regions, with some of them above the 90th percentile, approaching unprecedented levels. Compared with the first quarter of 2024, growth-value P/E spread has widened across board, and they are in the top 10 percentile of their observed historical spreads.

**Exhibit 11** P/E (TTM) Valuation Spread



	Growth - Value					
	US Large-Small	US Large	US Mid	US Small	DM ex-US	EM
Current P/E Valuation Spread	11.61	19.80	12.64	11.45	10.71	14.27
Percent Rank (%)	95.8%	96.9%	89.4%	95.1%	82.2%	94.2%

Source: Morningstar Direct. Data as of June 30, 2024.

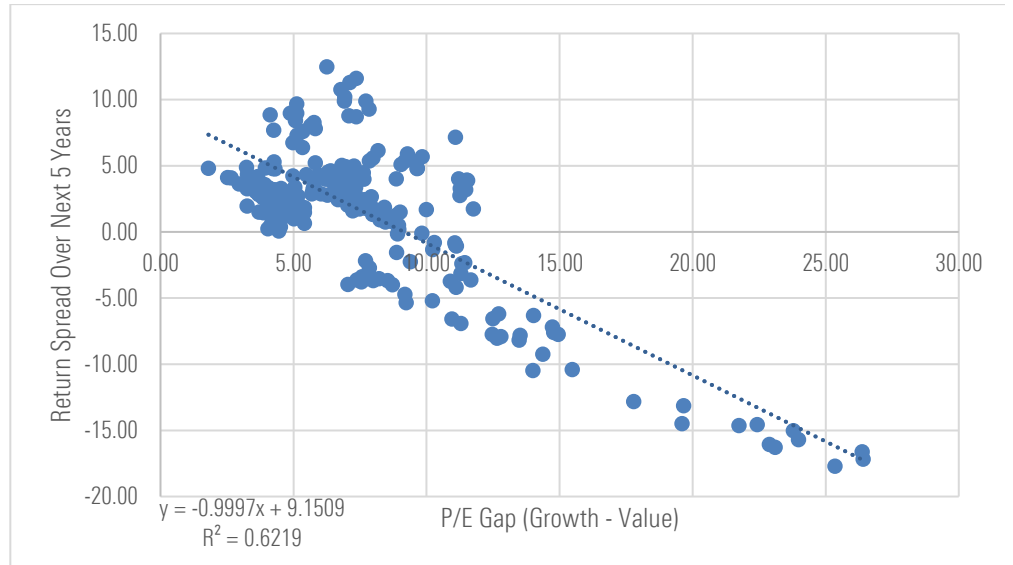
Unusually wide valuation spreads may portend lower expected returns for the pricier index. Historically in the US, wider valuation spreads have been associated with lower returns over the next five years for the large- and mid-cap growth indexes relative to their value counterparts, as Exhibits 12 and 13 show. The same is true of the large-cap index relative to the small-cap extended index, as show in Exhibit 15.

There wasn't a strong relationship between valuation spreads and future returns for the US small-cap growth and value indexes shown in Exhibit 14. The same is true of the large-mid universe in emerging markets, displayed in Exhibit 17.

A startling and counterintuitive phenomenon can be observed in developed markets outside the US (Exhibit 16), where there seems to have been a significantly positive relationship between valuation spreads and subsequent five-year returns. We view this as an anomaly, likely attributable to exogenous economic factors that have disproportionately benefited growth stocks over this period. It's also worth

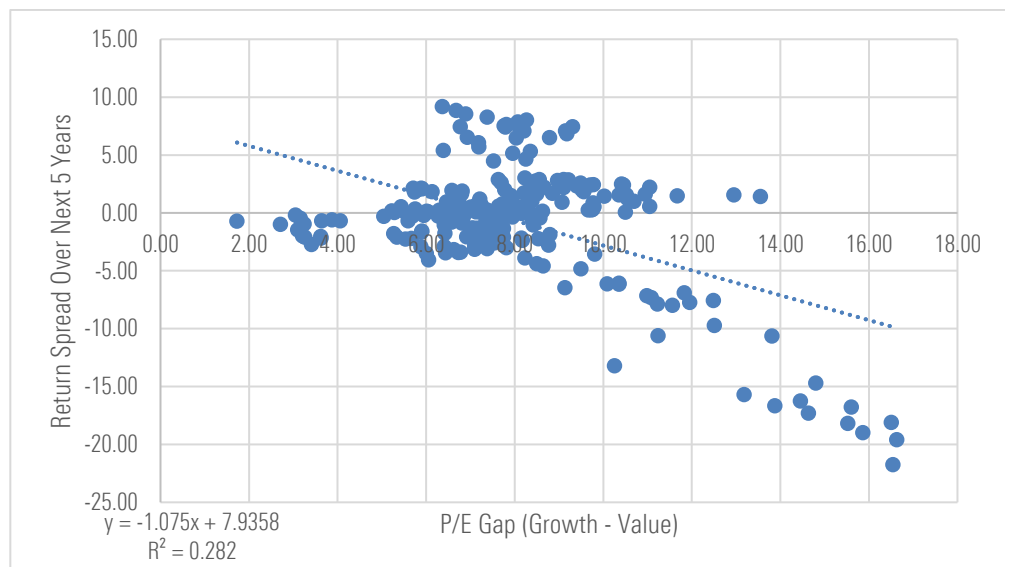
noting that the historical distribution of valuation spreads has been tightest in these ex-US developed markets.

**Exhibit 12** Relationship Between Valuations and Future Returns: November 1999-June 2024 (Morningstar US Large Broad Growth Index - Morningstar US Large Broad Value Index)



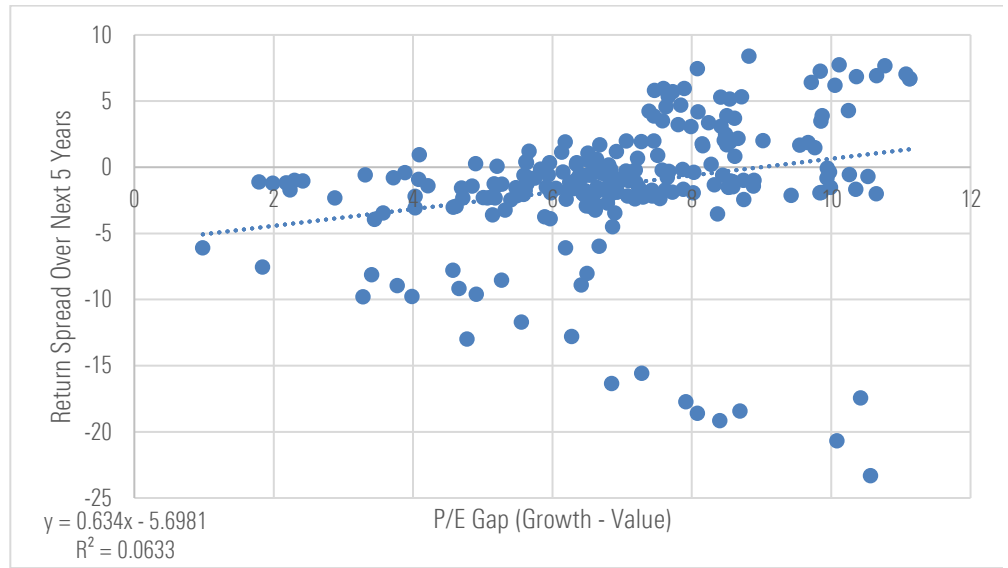
Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 13** Relationship Between Valuations and Future Returns: November 1999-June 2024 (Morningstar US Mid Broad Growth Index - Morningstar US Mid Broad Value Index)



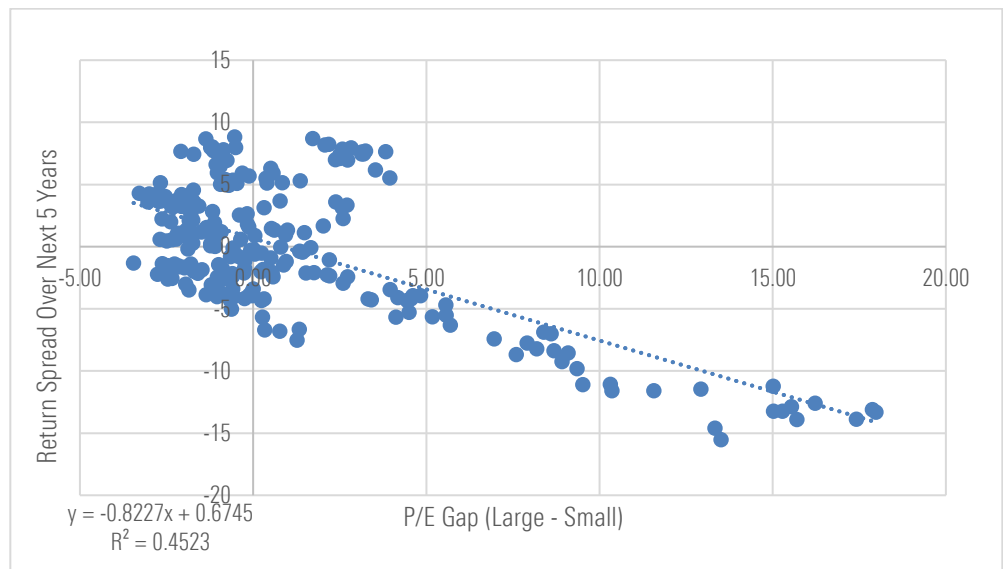
Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 14** Relationship Between Valuations and Future Returns: November 1999-June 2024 (Morningstar US Small Cap Broad Growth Extended Index - Morningstar US Small Cap Broad Value Extended Index)



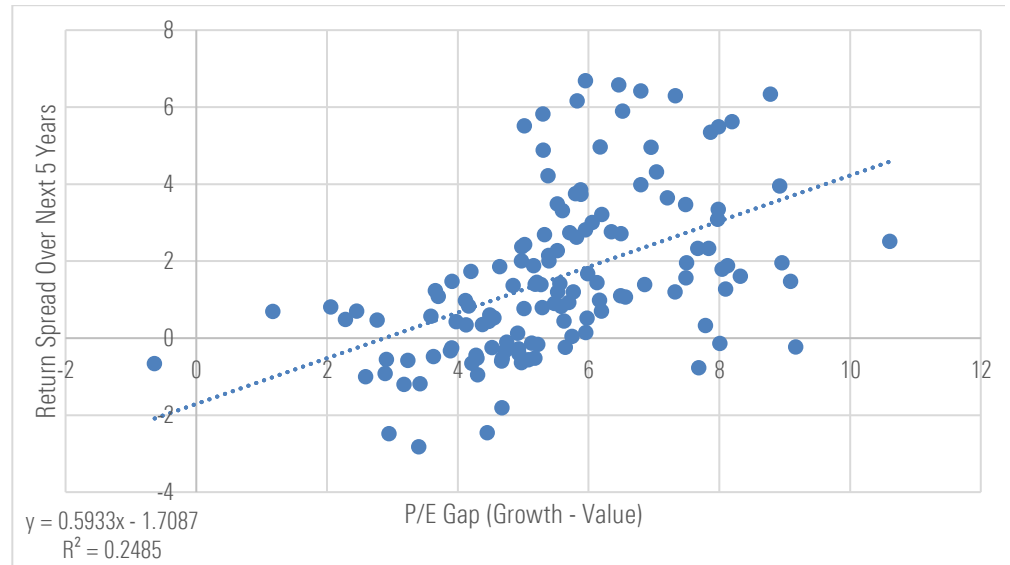
Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 15** Relationship Between Valuations and Future Returns: November 1999-June 2024 (Morningstar US Large Index - Morningstar US Small Cap Extended Index)



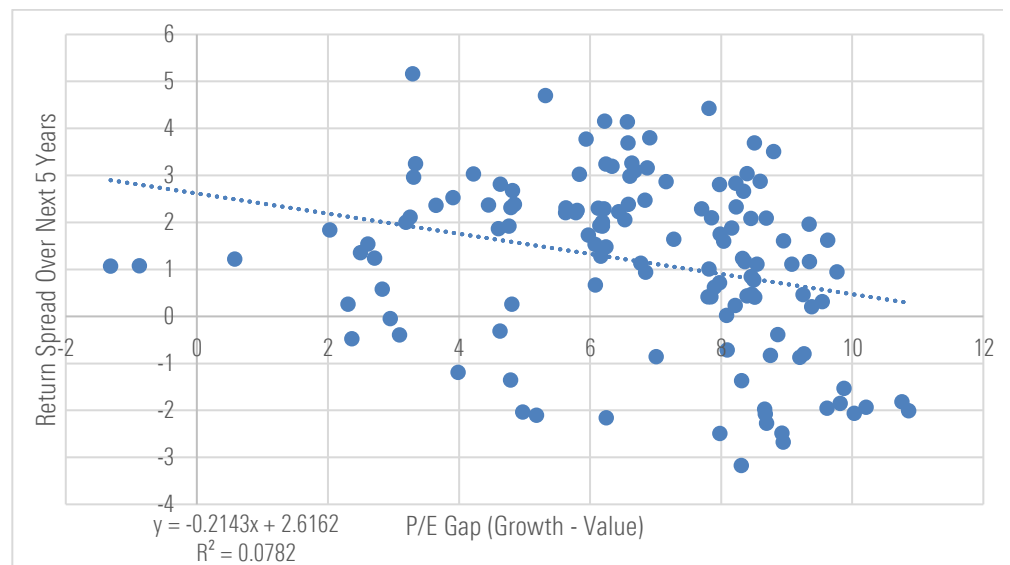
Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 16** Relationship Between Valuations and Future Returns: June 2008-June 2024 (Morningstar DM ex-US Growth TME Index - Morningstar DM ex-US Value TME Index)




Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 17** Relationship Between Valuations and Future Returns: June 2008-June 2024 (Morningstar EM Growth TME Index - Morningstar EM Value TME Index)



Source: Morningstar Direct. Data as of June 30, 2024.

**Forever in Style**

Regardless of market conditions, the Morningstar Broad Style and Global Style index families provide a robust toolkit for style investors. The indexes accurately represent the opportunity set available to style investors across different regions and can facilitate precise performance benchmarking and efficient asset allocation aligned with the Morningstar Style Box. For more information, visit <https://www.morningstar.com/products/indexes-style>. 

## Appendix

### Appendix 1: Style Investing

Style investing focuses on two of the most important drivers of stock returns: size and valuations. In their 1992 seminal paper “The Cross-Section of Expected Stock Returns,” Nobel laureate Eugene Fama and Kenneth French demonstrated that differences in these two variables can explain much of the variation of stock returns. That was the same year the Morningstar Style Box launched. This tool divides the equity market into nine sections along two dimensions: size and value/growth orientation, which has become a widely adopted frame of reference for classifying managed portfolios and assessing performance.

This style framework is also useful for framing asset-allocation decisions. The large-value segment of the market is a fertile hunting ground for mature dividend-payers, while the large-growth segment is home to many highly profitable companies with strong prospects. Small-growth stocks tend to have the greatest potential for capital appreciation, but they also carry considerable risk. Finally, the small-value segment may be where the best bargains are. Historically, this market segment has had the highest returns, though it has experienced long stretches of underperformance.

The Morningstar Broad Style and Global Style Indexes provide an effective toolkit to gauge style trends, both in the US and globally. These indexes cast a wider net than the nine segments of the style box, carving the value-growth spectrum into halves rather than thirds. This better reflects the opportunity set available to style investors, as managers often color outside their designated section in the style box. Stocks in the blend segment of the market are partially allocated to both the value and growth indexes, as they often appear in both value and growth managers’ portfolios.

### Appendix 2: Company Characteristics by Style

Morningstar’s broad style and global style indexes each focus on a different type of stock, reflecting how many active managers define their opportunity set.

Large-growth stocks are often among the market’s most enviable businesses. These firms not only tend to enjoy robust growth prospects but also typically benefit from dominant market positions and deploy extremely profitable business models. Within the Morningstar Broad Style Index family, the Morningstar US Large Broad Growth Index has the greatest exposure to stocks with Morningstar Economic Moat Ratings of wide, reflecting durable competitive advantages that Morningstar equity analysts expect to last for at least 20 years, as Exhibit 18 illustrates. However, the constituents of this index tend to generate a smaller share of their revenue outside the US compared with any of the other broad style indexes that cover the US, as shown in Exhibit 19.

Similar to the US, global growth indexes have the greatest bent toward wide moat ratings, reflecting the structurally more favorable business models of these constituents. These durable competitive advantages are also more prevalent in developed markets relative to emerging markets. Companies listed in emerging markets are more likely to have to navigate headwinds like tenuous regulatory

landscapes (which invite competition) and more acute economic cyclicality (which detracts from our equity analysts' confidence in the durability of their profits).

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**Exhibit 18** Economic Moat Exposure (%)

<b>US</b>	<b>Wide Moat</b>	<b>Narrow Moat</b>	<b>None</b>
Morningstar US Market Extended	59.22	23.71	6.61
Morningstar US Market Broad Growth Extended	67.17	17.45	4.37
Morningstar US Market Broad Value Extended	51.46	29.86	8.80
Morningstar US Large Cap	76.78	20.58	2.00
Morningstar US Large Broad Growth	86.44	12.88	0.51
Morningstar US Large Broad Value	67.82	27.65	3.43
Morningstar US Mid Cap	17.15	41.20	23.22
Morningstar US Mid Cap Broad Growth	24.47	37.64	17.02
Morningstar US Mid Cap Broad Value	9.06	46.40	28.91
Morningstar US Small Cap Extended	1.35	10.29	9.26
Morningstar US Small Broad Growth Extended	1.23	9.65	8.09
Morningstar US Small Broad Value Extended	1.49	11.02	10.52
<b>Global</b>			
Morningstar Global Target Market Exposure	51.55	23.56	11.74
Morningstar Global Growth	62.33	19.06	6.13
Morningstar Global Value	40.85	28.19	17.27
Morningstar Developed Markets ex-US	31.47	22.79	25.31
Morningstar Developed Markets ex-US Growth	45.22	24.10	11.40
Morningstar Developed Markets ex-US Value	17.72	21.66	39.02
Morningstar Emerging Markets	17.00	16.23	13.55
Morningstar Emerging Markets Growth	22.66	17.17	10.27
Morningstar Emerging Markets Value	10.89	15.33	17.32

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Source: Morningstar Direct. Data as of June 30, 2024.



**Exhibit 19** Revenue Generated in the US

<b>US</b>	<b>% of Revenue from the US</b>
Morningstar US Market Extended	60.75
Morningstar US Market Broad Growth Extended	56.21
Morningstar US Market Broad Value Extended	65.21
Morningstar US Large Cap	55.84
Morningstar US Large Broad Growth	50.56
Morningstar US Large Broad Value	60.94
Morningstar US Mid Cap	72.70
Morningstar US Mid Cap Broad Growth	69.38
Morningstar US Mid Cap Broad Value	76.06
Morningstar US Small Cap Extended	76.29
Morningstar US Small Broad Growth Extended	74.05
Morningstar US Small Broad Value Extended	78.79
<b>Global</b>	
Morningstar Global Target Market Exposure	45.05
Morningstar Global Growth	43.13
Morningstar Global Value	47.20
Morningstar Developed Markets ex-US	22.87
Morningstar Developed Markets ex-US Growth	26.71
Morningstar Developed Markets ex-US Value	19.28
Morningstar Emerging Markets	13.71
Morningstar Emerging Markets Growth	19.00
Morningstar Emerging Markets Value	7.98

Source: Morningstar Direct. Data as of June 30, 2024.

Large-value stocks tend to be more mature. These include slow-growth giants like Berkshire Hathaway and Procter & Gamble in the US and Shell outside of the US. Because they often have strong cash flows and limited need of it to fund growth, these stocks tend to make larger cash distributions to shareholders than their faster-growing and smaller counterparts.

Stocks in the middle of the value-growth spectrum, like Alphabet and Meta, are found in both the Morningstar US Large Broad Value and Growth indexes. That reflects that they are also found in both value and growth managers' portfolios, as they don't have a strong bias toward one style over the other.

Moving down the market-cap ladder tends to increase both risk and upside potential. Mid-cap growth stocks have a bit more growth runway than their larger counterparts. These companies are often at an earlier stage in their lifecycle yet have been successful, like Marvell Technology, or could be relatively mature firms transforming their businesses to align with climate commitments and increased focus on renewable energy, like utilities firm Constellation Energy. Both companies were among the top holdings of the Morningstar US Mid Cap Broad Growth Index at the end of March 2024.

Small-growth stocks are riskier still. These firms tend to be less profitable and face greater uncertainty than better-established growth stocks, yet with this broader distribution of potential outcomes comes the juiciest growth potential. MicroStrategy, a top holding in the Morningstar US Small Cap Broad

Growth Extended Index, exemplifies this promise and risk by leveraging its data storage, AI workflow products, and applications in an economy that is constantly hungry for such services because of the horizontal transition to cloud and AI services and across industries. However, competition is fierce, and the industry tends to be quite cyclical, with demand troughs that can be just as deep and acute as the booms.

Mid- and small-cap value stocks also carry greater risk and upside potential than their larger counterparts. This includes a mix of stocks that have simply matured before reaching the large-cap ranks, as well as names that have fallen out of favor, often for good reason. Biotechnology researcher Biogen is a good example of the former, while automobile manufacturer General Motors embodies the latter.

Smaller stocks tend to generate more of their revenue in the US, particularly on the value side. The constituents of the Morningstar US Small Cap Broad Value Extended Index generated a larger share of their revenue in the US than any of the other broad style indexes, as shown in Exhibit 19.

Exhibits 20-34 show the top 10 constituents in the large-, mid-, and small-cap extended indexes, the value and growth indexes in those segments, as well as the value and growth indexes for ex-US developed markets and emerging markets.

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**Exhibit 20** Top Holdings: Morningstar US Large Cap Index

<b>Constituent</b>	<b>Ticker</b>	<b>Sector</b>	<b>Weighting (%)</b>
Microsoft	MSFT	Technology	8.75
Apple	AAPL	Technology	8.00
Nvidia	NVDA	Technology	7.75
Amazon.com	AMZN	Consumer Cyclical	4.78
Meta Platforms Class A	META	Communication Services	2.91
Alphabet Class A	GOOGL	Communication Services	2.82
Alphabet Class C	GOOG	Communication Services	2.53
Eli Lilly	LLY	Healthcare	2.02
Berkshire Hathaway Class B	BRK.B	Financial Services	1.93
Broadcom	AVGO	Technology	1.92

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 21** Top Holdings: Morningstar US Large Broad Growth Index

Constituent	Ticker	Sector	Weighting (%)
Microsoft	MSFT	Technology	17.83
Nvidia	NVDA	Technology	15.78
Amazon.com	AMZN	Consumer Cyclical	9.74
Apple	AAPL	Technology	8.15
Eli Lilly	LLY	Healthcare	4.11
Meta Platforms Class A	META	Communication Services	3.37
Alphabet Class A	GOOGL	Communication Services	2.95
Tesla	TSLA	Consumer Cyclical	2.95
Alphabet Class C	GOOG	Communication Services	2.65
Visa Class A	V	Financial Services	2.22

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 22** Top Holdings: Morningstar US Broad Value Index

Constituent	Ticker	Sector	Weighting (%)
Apple	AAPL	Technology	7.86
Berkshire Hathaway Class B	BRK.B	Financial Services	3.79
JPMorgan Chase & Co	JPM	Financial Services	3.00
Alphabet Class A	GOOGL	Communication Services	2.69
Exxon Mobil	XOM	Energy	2.68
Meta Platforms Class A	META	Communication Services	2.47
Alphabet Class C	GOOG	Communication Services	2.41
UnitedHealth Group	UNH	Healthcare	2.09
Procter & Gamble	PG	Consumer Defensive	2.01
Johnson & Johnson	JNJ	Healthcare	1.82

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 23** Top Holdings: Morningstar US Mid Cap Index

Constituent	Ticker	Sector	Weighting (%)
Edwards Lifesciences	EW	Healthcare	0.55
Hilton Worldwide Holdings	HLT	Consumer Cyclical	0.53
PACCAR	PCAR	Industrials	0.53
General Motors	GM	Consumer Cyclical	0.53
Carrier Global Ordinary Shares	CARR	Industrials	0.53
Autodesk	ADSK	Technology	0.53
Capital One Financial	COF	Financial Services	0.52
Truist Financial	TFC	Financial Services	0.52
Williams Companies	WMB	Energy	0.51
AutoZone	AZO	Consumer Cyclical	0.51

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 24** Top Holdings: Morningstar US Mid Cap Broad Growth Index

<b>Constituent</b>	<b>Ticker</b>	<b>Sector</b>	<b>Weighting (%)</b>
Edwards Lifesciences	EW	Healthcare	1.1
Hilton Worldwide Holdings	HLT	Consumer Cyclical	1.06
Autodesk	ADSK	Technology	1.05
AutoZone	AZO	Consumer Cyclical	1.01
Palantir Technologies Ordinary Shares - Class A	PLTR	Technology	1.00
Ross Stores	ROST	Consumer Cyclical	0.96
Workday Class A	WDAY	Technology	0.94
Copart	CPRT	Industrials	0.94
DexCom	DXCM	Healthcare	0.89
Coinbase Global Ordinary Shares - Class A	COIN	Financial Services	0.87

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 25** Top Holdings: Morningstar US Mid Cap Broad Value Index

Constituent	Ticker	Sector	Weighting (%)
PACCAR	PCAR	Industrials	1.06
General Motors	GM	Consumer Cyclical	1.06
Capital One Financial	COF	Financial Services	1.06
Truist Financial	TFC	Financial Services	1.04
Williams Companies	WMB	Energy	1.04
Valero Energy	VLO	Energy	1.03
Ford Motor	F	Consumer Cyclical	0.99
American International Group	AIG	Financial Services	0.99
Norfolk Southern	NSC	Industrials	0.97
Sempra	SRE	Utilities	0.96

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 26** Top Holdings: Morningstar US Small Cap Extended Index

Constituent	Ticker	Sector	Weighting (%)
Carvana Class A	CVNA	Consumer Cyclical	0.3
Guidewire Software	GWRE	Technology	0.27
Texas Roadhouse	TXRH	Consumer Cyclical	0.27
e.l.f. Beauty	ELF	Consumer Defensive	0.26
Coherent	COHR	Technology	0.25
Insmid	INSM	Healthcare	0.25
Onto Innovation	ONTO	Technology	0.25
ITT	ITT	Industrials	0.25
Toast Class A	TOST	Technology	0.25
Lamar Advertising Class A	LAMR	Real Estate	0.24

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 27** Top Holdings: Morningstar US Small Broad Growth Extended Index

Constituent	Ticker	Sector	Weighting (%)
Guidewire Software	GWRE	Technology	0.53
Texas Roadhouse	TXRH	Consumer Cyclical	0.53
e.l.f. Beauty	ELF	Consumer Defensive	0.51
Coherent	COHR	Technology	0.50
Insmid	INSM	Healthcare	0.50
Onto Innovation	ONTO	Technology	0.50
ITT	ITT	Industrials	0.49
Toast Class A	TOST	Technology	0.49
Curtiss-Wright	CW	Industrials	0.48
FTAI Aviation Ltd	FTAI	Industrials	0.47

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 28** Top Holdings: Morningstar US Small Value Extended Index

Constituent	Ticker	Sector	Weighting (%)
Chord Energy Ordinary Shares - New	CHRD	Energy	0.49
C.H. Robinson Worldwide	CHRW	Industrials	0.49
East West Bancorp	EWBC	Financial Services	0.48
Tapestry	TPR	Consumer Cyclical	0.47
Rivian Automotive Class A	RIVN	Consumer Cyclical	0.46
Annaly Capital Management	NLY	Real Estate	0.45
Bath & Body Works	BBWI	Consumer Cyclical	0.41
Pinnacle West Capital	PNW	Utilities	0.41
Assurant	AIZ	Financial Services	0.41
First Horizon	FHN	Financial Services	0.41

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 29** Top Holdings: Morningstar Developed Markets Ex-US TME Index

Constituent	Ticker	Sector	Weighting (%)
Novo Nordisk A/S Class B	NOVO B	Healthcare	2.65
ASML Holding NV	ASML	Technology	2.21
Nestle SA	NESN	Consumer Defensive	1.45
Toyota Motor	7203	Consumer Cyclical	1.31
AstraZeneca PLC	AZN	Healthcare	1.31
Shell PLC	SHEL	Energy	1.23
Novartis AG Registered Shares	NOVN	Healthcare	1.19
SAP SE	SAP	Technology	1.18
Lvmh Moet Hennessy Louis Vuitton SE	MC	Consumer Cyclical	1.07
Roche Holding AG	ROG	Healthcare	1.04

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 30** Top Holdings: Morningstar Developed Markets Ex-US Growth TME Index

Constituent	Ticker	Sector	Weighting (%)
Novo Nordisk A/S Class B	NOVO B	Healthcare	5.31
ASML Holding NV	ASML	Technology	4.41
AstraZeneca PLC	AZN	Healthcare	2.62
SAP SE	SAP	Technology	2.35
Lvmh Moet Hennessy Louis Vuitton SE	MC	Consumer Cyclical	2.13
Nestle SA	NESN	Consumer Defensive	1.45
Toyota Motor	7203	Consumer Cyclical	1.43
L'Oreal SA	OR	Consumer Defensive	1.16
Commonwealth Bank of Australia	CBA	Financial Services	1.13
Hitachi Ltd	6501	Industrials	1.12

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 31** Top Holdings: Morningstar Developed Markets Ex-US Value TME Index

Constituent	Ticker	Sector	Weighting (%)
Shell PLC	SHEL	Energy	2.51
HSBC Holdings PLC	HSBA	Financial Services	1.80
BHP Group Ltd	BHP	Basic Materials	1.59
TotalEnergies SE	TTE	Energy	1.59
Roche Holding AG	ROG	Healthcare	1.55
Novartis AG Registered Shares	NOVN	Healthcare	1.49
Nestle SA	NESN	Consumer Defensive	1.47
Toyota Motor	7203	Consumer Cyclical	1.21
BP PLC	BP.	Energy	1.11
The Toronto-Dominion Bank	TD	Financial Services	1.07

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 32** Top Holdings: Morningstar Emerging Markets TME Index

Constituent	Ticker	Sector	Weighting (%)
Taiwan Semiconductor Manufacturing	2330	Technology	8.91
Samsung Electronics	5930	Technology	3.71
Tencent Holdings	700	Communication Services	3.64
Reliance Industries	RELIANCE	Energy	1.90
Alibaba Group Holding Ordinary Shares	9988	Consumer Cyclical	1.88
HDFC Bank	HDFCBANK	Financial Services	1.40
SK Hynix	660	Technology	1.15
PDD Holdings ADR	PDD	Consumer Cyclical	1.10
International Holdings PJSC	IHC	Industrials	1.01
Hon Hai Precision Industry	2317	Technology	0.99

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 33** Top Holdings: Morningstar Emerging Markets Growth TME Index

Constituent	Ticker	Sector	Weighting (%)
Taiwan Semiconductor Manufacturing	2330	Technology	17.02
Samsung Electronics	5930	Technology	4.37
Reliance Industries	RELIANCE	Energy	3.63
Tencent Holdings	700	Communication Services	3.26
PDD Holdings ADR	PDD	Consumer Cyclical	2.10
International Holdings PJSC	IHC	Industrials	1.94
Meituan Class B	3690	Consumer Cyclical	1.80
ICICI Bank	ICICIBANK	Financial Services	1.76
HDFC Bank	HDFCBANK	Financial Services	1.57
Bharti Airtel	BHARTIARTL	Communication Services	1.08

Source: Morningstar Direct. Data as of June 30, 2024.

**Exhibit 34** Top Holdings: Morningstar Emerging Markets Value TME Index

Constituent	Ticker	Sector	Weighting (%)
Tencent Holdings	700	Communication Services	4.09
Alibaba Group Holding Ordinary Shares	9988	Consumer Cyclical	3.98
Samsung Electronics	5930	Technology	3.01
Hon Hai Precision Industry	2317	Technology	2.09
China Construction Bank Class H	939	Financial Services	1.89
SK Hynix	660	Technology	1.51
HDFC Bank	HDFCBANK	Financial Services	1.23
Industrial And Commercial Bank Of China Class H	1398	Financial Services	1.14
Vale SA	VALE3	Basic Materials	1.06
Infosys	INFY	Technology	1.06

Source: Morningstar Direct. Data as of June 30, 2024.

**Appendix 3: Funds That Track Morningstar Broad Style Indexes****Exhibit 35** Funds That Track Morningstar Broad Style Indexes

Name	SecId	Ticker	Domicile	Primary Prospectus Benchmark
BNY Mellon US Large Cap Core Equity ETF	F0000149CO	BKLC	United States	Morningstar US Large Cap TR USD
iShares Morningstar Growth ETF	FEUSA04ACO	ILCG	United States	Morningstar US Large Mid Brd Grt TR USD
iShares Morningstar Value ETF	FEUSA04ACP	ILCV	United States	Morningstar US Large Mid Brd Val TR USD
Lyxor Core Morningstar US (DR) ETF-Dist	F0000109UX	LCUD	Luxembourg	Morningstar US Large-Mid NR USD
iShares Morningstar U.S. Equity ETF	FEUSA04ACN	ILCB	United States	Morningstar US Large-Mid TR USD
NBI U.S. Equity Index O	F000013VX6		Canada	Morningstar US Large-Mid TR USD
NBI U.S. Equity Index INV-2	F000016TJI		Canada	Morningstar US Large-Mid TR USD
iShares Morningstar Mid-Cap Growth ETF	FEUSA04ACR	IMCG	United States	Morningstar US Mid Cap Brd Grt TR USD
iShares Morningstar Mid-Cap Value ETF	FEUSA04ACS	IMCV	United States	Morningstar US Mid Cap Brd Val TR USD
BNY Mellon US Mid Cap Core Equity ETF	F0000149CP	BKMC	United States	Morningstar US Mid Cap TR USD
iShares Morningstar Mid-Cap ETF	FEUSA04ACQ	IMCB	United States	Morningstar US Mid Cap TR USD
iShares Morningstar Small-Cap Growth ETF	FEUSA04ACU	ISCG	United States	Morningstar US Small Brd Grt Ext TR USD
iShares Morningstar Small-Cap Value ETF	FEUSA04ACV	ISCV	United States	Morningstar US Small Brd Val Ext TR USD
iShares Morningstar Small-Cap ETF	FEUSA04ACT	ISCB	United States	Morningstar US Small Cap Ext TR USD

Source: Morningstar Direct. Data as of June 30, 2024.



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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.

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Contact:

[indexes@morningstar.com](mailto:indexes@morningstar.com)

# MORNINGSTAR Indexes

22 West Washington Street  
Chicago, IL 60602 USA

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