August 17, 2026

Morningstar Factor Index Enhancement Notification

Morningstar Indexes is enhancing the methodology of the Morningstar Global Factor Indexes and Morningstar Single Country Factor Indexes to reduce the risk of infeasible portfolio construction outcomes and maintain the robustness of factor measurement.

The momentum and low volatility indexes in these families currently employ sector exposure constraints designed to limit unintended sector concentrations. These constraints are initially set at the benchmark sector weight plus 10% but may be relaxed iteratively in 1% increments to a maximum of 40% if a feasible solution is not found. In some cases, this can still lead to infeasible solutions. To address this possibility, we are removing the upper bound of this relaxation, so the relaxation may continue until a feasible solution is found.

The single country factor indexes also include a 40% absolute sector cap, which could also lead to infeasible solutions. To remove this risk, in the event of infeasibility, this cap will be relaxed in 5% increments until a feasible solution is found.

Morningstar Indexes is also introducing a six-month minimum price history requirement for the quality and low volatility indexes. This enhancement follows an expansion in coverage within the Morningstar Risk Model that will allow securities with shorter trading histories, including recent IPOs, to be covered in the model. While this broader coverage supports risk forecasting objectives, the quality and low volatility indexes rely directly on factor measurements that may be less robust for securities with very limited trading histories. Requiring at least six months of price history helps ensure that constituent selection remains based on sufficiently observed market data and preserves the consistency and reliability of factor exposure assessments.

A list of impacted indexes is available here.

The expected impact is expected to be minor. This will not impact the historical index performance or constituents. These changes will be effective at the December reconstitution, after the close of December 18, 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. Additionally, CRSP's Research Data Products, renowned for their academic rigor, historical depth and accuracy, will further enhance Morningstar's equity research and data capabilities. This integration unites two trusted sources of market insight, reinforcing a shared commitment to transparency, quality, and investor-focused solutions.

Please visit indexes.morningstar.com for more information.

Contact Us

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

MORNINGSTAR Indexes