



May 30, 2025

## Consultation on Morningstar US Sector Index Capping

The Morningstar US Sector Indexes listed in the table below apply security level capping, limiting the top constituent weighting to 20% and ensuring the weightings above 5% do not sum to more than 50%. Morningstar Indexes is considering removing this capping logic from these nine indexes. This proposal is intended to drive greater consistency in the capping methodology across the Morningstar US sector index family. The Morningstar US Communication Services and Morningstar US Energy indexes do not apply caps.

Performance ID	Index Name	Active Share (%)	Tracking Error (%)	Excess Return (%)
P000000072	Morningstar US Basic Materials Index	0.00	0.11	(0.03)
P000000074	Morningstar US Consumer Cyclical Index	12.86	1.11	(0.23)
P000000075	Morningstar US Consumer Defensive Index	16.02	0.50	0.13
P000000077	Morningstar US Financial Services Index	0.00	0.02	0.01
P000000078	Morningstar US Healthcare Index	0.00	0.16	0.00
P000000079	Morningstar US Industrials Index	0.00	0.08	(0.05)
P000000080	Morningstar US Real Estate Index	0.00	0.17	(0.02)
P000000081	Morningstar US Technology Index	6.62	0.57	(0.09)
P000000082	Morningstar US Utilities Index	0.00	0.05	0.00

\*Data as of 3/24/2025

Based on the composition of the portfolios as of the March 2025 rebalance, this methodology change would only result in weighting changes for the Morningstar US Consumer Cyclical, Morningstar US Consumer Defensive, and Morningstar US Technology indexes. The simulated portfolios for these three indexes are available [here](#).

These changes would be applied prospectively. There would be no changes to the performance history.

We are soliciting client feedback on this proposal.

## Submit your responses and questions

Responses to this consultation can be submitted [here](#).

General questions about the consultation may also be sent to [indexes@morningstar.com](mailto:indexes@morningstar.com).

## Key dates

- **Consultation:** The consultation will be open for response from May 30, 2025, to June 26, 2025.
- **Decision announcement:** Final decisions will be announced by July 31, 2025.
- **Proposed implementation:** September 22, 2025, corresponding to the September rebalance.

## Questions

1. Should Morningstar Indexes remove the 5/20/50 capping currently applied to the nine Morningstar US sector indexes listed above?
  - a. Yes
  - b. No
  - c. Other, please explain.
2. If Morningstar Indexes removes the 5/20/50 capping for these indexes, when should this change be implemented?
  - a. At the September 2025 rebalance
  - b. At the December 2025 reconstitution
3. If Morningstar Indexes moves forward with this methodology change, new versions of these nine indexes with 5/20/50 capping will be launched.
  - a. Yes
  - b. No
4. What other factors should Morningstar Indexes consider in making this decision?

## About Morningstar Indexes

Morningstar Indexes has been designing modern solutions for 20 years, but what makes us truly unique has been more than three decades in development. Our rich history began in 1984, when Morningstar was founded on a promise to empower investors with data and research that is independent and objective. Over time, our collection of data has expanded considerably—and so has its application. Today, Morningstar Indexes draws on unique IP to unlock an extensive range of emerging opportunities for investors of every kind, while providing a robust institutional beta platform for core investing.

## Contact Us

[MorningstarIndexesAlerts@morningstar.com](mailto:MorningstarIndexesAlerts@morningstar.com) is a no-reply email address. For questions concerning this notification, please contact us at [Indexes@morningstar.com](mailto:Indexes@morningstar.com).