

Morningstar® Broad Style IndexesSM

FAQ

What are they and what makes them different from the original Morningstar Style Index family?

Morningstar has been a leader in style analysis and investing since the creation of the iconic Morningstar Style Box™ in 1992. In 2002, Morningstar launched its first style indexes, the Morningstar Style Index family, which tracks the market segments delineated by the Morningstar Style Box. We consider the Morningstar Style Index family well suited for granular style analysis and market monitoring. The distinct style assignments associated with these original style indexes reflect the distinct differences between the style and size segments of the market.

In contrast, the new Morningstar Broad Style Index family is designed to provide a more complete representation of the opportunity set available to investors and facilitate better performance benchmarking and asset allocation. The new Morningstar Broad Style Index family complements the original style index family. These new indexes are broader and more diversified than the existing Morningstar Style Index family, yet they still align with the Morningstar Style Box. This is a key benefit, as the style box has become the industry standard for categorizing and tracking managed investment portfolios. The new Morningstar Broad Style Indexes also aim to provide exceptional value, helping reduce benchmarking costs and empower investor success.

What indexes are available? Where can I find the performance?

Below is a list of the recently launched Morningstar Broad Style Indexes, including links to relevant performance data.

[US Large Cap](#)

[US Large Cap Broad Growth](#)

[US Large Cap Broad Value](#)

[US Large-Mid Cap](#)

[US Large-Mid Broad Growth](#)

[US Large-Mid Broad Value](#)

[US Mid Cap](#)

[US Mid Cap Broad Growth](#)

[US Mid Cap Broad Value](#)

[US Small Cap Extended](#)

[US Small Cap Broad Growth Extended](#)

[US Small Cap Broad Value Extended](#)

[US Small-Mid Cap Extended](#)

[US Small-Mid Broad Growth Extended](#)

[US Small-Mid Broad Value Extended](#)

[US Market Broad Growth Extended](#)

[US Market Broad Value Extended](#)

What is the Morningstar Style Box™?

The Morningstar Style Box has become the industry standard for categorizing and tracking managed investment portfolios. It describes securities in terms of their relative size and value-growth orientation in an intuitive, visual tool. It is based on a robust methodology that includes forward-looking and historical components and 10 different factors to measure value-growth orientation. Because different investment styles often offer different risk/reward patterns, it is important for individuals to understand the investment style of a stock, fund, or portfolio. This understanding can help investors and advisors construct portfolios that are consistent with the investor's return expectations and risk tolerances. The style box lays the groundwork for better portfolio assembly and monitoring and is a useful tool for individual and professional investors. It provides a logical, completely integrated system and philosophy for analyzing stocks, funds, and portfolios.

Were there any changes to the Morningstar Style Box as a result of this index launch?

There were no changes to the Morningstar Style Box linked to the launch of the Broad Style indexes. There was an unrelated methodology change to the Morningstar Style Box in October 2020.

Are the original style indexes being decommissioned?

No, the original Morningstar Style Index family is not being decommissioned.

What are the main differences between the new and original style indexes?

Both families use the same metrics to measure stocks' style characteristics, but they have different thresholds for inclusion. The new Morningstar Broad Style Indexes each cover a broader segment of the market than the original Morningstar Style Index family; they hold more stocks, making them more diversified. The Morningstar Broad Style Index family categorizes the market in half, one side representing value, the other growth. Stocks that do not exhibit a clear style orientation are partially allocated to both value and growth indexes, which creates some overlap. In contrast, the original Morningstar Style Index family indexes are more granular and do not overlap. The Morningstar Style Index Family categorizes each size segment into mutually exclusive thirds (value, core, growth) based on stocks' value and growth characteristics.

Both index families define the large- and mid-cap size segments the same way. However, the Morningstar Broad Style Index family extends its reach further down the market-cap ladder, giving the broad style small-cap indexes a smaller market-cap orientation than those in the original family.

The two index families have different use cases. The Morningstar Broad Style Indexes aim to provide a more complete representation of style investors' opportunity set than the original style indexes, facilitating better performance benchmarking and asset allocation. The original Morningstar Style Indexes family indexes more granular performance analysis.

How do Morningstar's Broad Style Indexes compare with competitor indexes, specifically Russell, CRSP, and S&P indexes?

Like Russell, CRSP, and S&P, Morningstar's Broad Style Index family splits the market into value and growth halves and weights holdings in proportion to their float-adjusted market capitalization. However, Morningstar's Broad Style Index family is built to more closely align with how stocks plot on the Morningstar Style Box, as it uses a similar framework to classify stocks.

Russell: Russell defines each size segment based on a target fixed number of stocks. For example, the largest 1,000 U.S. stocks make up the large- and mid-cap market segment, while the next 2,000 largest stocks represent the small-cap universe. In contrast, Morningstar's Broad Style Indexes use a fixed percentage of the available market to define each size segment. For example, stocks representing the largest 70% of the U.S. market by market capitalization compose the large-cap universe. This should lead to a more consistent representation of the market over time.

As for the value/growth classification, Morningstar's Broad Style Indexes give greater weight to forward-looking metrics than Russell and use more metrics to paint a more complete picture of each stock's style orientation. This makes Morningstar indexes less susceptible to the potential limitations with each metric. For example, price/book value, which features prominently in the Russell indexes, has come [under fire](#) in recent years because it does not reflect intangible assets, which have grown in importance.

CRSP: CRSP follows a similar fixed market-cap approach to Morningstar's Broad Style Indexes to define each size segment, but its mid- and small-cap indexes tend to have a larger-cap orientation than the corresponding Morningstar indexes. CRSP also applies wider turnover buffers than Morningstar's Broad Style Indexes, which can allow more style drift.

S&P: S&P relies on a committee to select the constituents for the S&P 500, S&P Mid-Cap 400, and S&P Small 600 indexes, which serve as the starting points for S&P's value and growth indexes. This committee has discretion over which stocks make the cut, which distinguishes this index family from Morningstar Indexes, which uses mechanical, objective rules to define each size segment. As a result, there are no stated boundaries between size segments that allow investors to understand why companies may be included in the size segment indexes.

Are there any rules in place to mitigate unnecessary turnover?

Yes, stocks remain in their original indexes if they move only slightly outside the targeted style zone. These buffers mitigate turnover when it does not significantly affect the portfolios' style characteristics.

Do the indexes use the same methodology as the Morningstar Style Box?

The style box and Morningstar Broad Style Indexes follow similar size and value/growth classifications, based on the same underlying equity style factors and are more closely aligned than competitors' indexes. This should make them better benchmarks for assessing size and valuation bets for investors who use the style box as a frame of reference. That said, the style box and Morningstar Broad Style Indexes methodologies don't perfectly align, as they were built for different purposes. The style box is designed to categorize stocks and managed portfolios, while the Morningstar Broad Style Indexes are designed to represent investors' opportunity sets and facilitate performance benchmarking and asset allocation. To serve their purpose, the indexes apply turnover buffers, while the style box does not. They are also updated on different schedules.

Stocks are showing in both value and growth indexes—can you explain the overlap?

In the Morningstar Broad Style Index family, stocks that fall near the middle of the value-growth spectrum are partially allocated to both the value and growth indexes, based on the strength of their value and growth characteristics. This reflects the fact that these securities do not exhibit a clear style orientation and eases transitions as stocks migrate between the value and growth indexes.

How much history is available for the new indexes?

The Morningstar Broad Style Indexes have backfilled performance beginning June 30, 1997. Live performance begins on Dec. 21, 2020.

Will the Morningstar Broad Style Indexes be included in the Open Index Project?

No, they will not be included.

Are there plans to extend the new style index family to regions outside the U.S.?

Yes, the Morningstar Broad Style Indexes methodology will be extended to equity markets outside the U.S., and a timeline will be communicated to our clients and the market once established.

Are the indexes available on Morningstar tools and third-party platforms?

Yes, all Morningstar indexes are available on Morningstar platforms such as Morningstar Direct, Morningstar data feeds, Morningstar.com, and the Morningstar Indexes website. Many of the indexes are also available on third-party platforms, including FactSet, RIMES and Bloomberg.

What is the nature of your collaboration with BlackRock iShares?

On Dec. 15, 2020, Morningstar and BlackRock iShares issued a [joint press release](#) announcing the two firms’ commitment to joining forces to lead the industry in style investing. Effective March 2021, BlackRock switched the primary prospectus benchmarks for a suite of exchange-traded funds that tracked indexes from Morningstar’s original style family to a selection of nine Morningstar Broad Style Indexes:

Original		New	
Name	Ticker	Name	Ticker
iShares Morningstar Large-Cap Value ETF	JKF	iShares Morningstar Value ETF	ILCV
iShares Morningstar Large-Cap ETF	JKD	iShares Morningstar U.S. Equity ETF	ILCB
iShares Morningstar Large-Cap Growth ETF	JKE	iShares Morningstar Growth ETF	ILCG
iShares Morningstar Mid-Cap Value ETF	JKI	<i>No change</i>	IMCV
iShares Morningstar Mid-Cap ETF	JKG	<i>No change</i>	IMCB
iShares Morningstar Mid-Cap Growth ETF	JKH	<i>No change</i>	IMCG
iShares Morningstar Small-Cap Value ETF	JKL	<i>No change</i>	ISCV
iShares Morningstar Small-Cap ETF	JKJ	<i>No change</i>	ISCB
iShares Morningstar Small-Cap Growth ETF	JKK	<i>No change</i>	ISCG