

# Morningstar® Exponential Technologies Index<sup>SM</sup>

## Learn More

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Some technologies integrate seamlessly into our daily activities, prompting broad adoption through the “network effect” and transforming how we live and work. As these technologies become ingrained in our routines, the companies that produce and use them may experience significant economic benefits. But it’s difficult for individual investors to predict which technologies will be widely embraced by consumers and industries.

### Life-Changing Technologies

Morningstar defines exponential technologies as those advances expected to create significantly positive non-linear economic benefits for the companies that produce or use them. Broad societal impacts tend to be associated with these innovations. Technologies that grew exponentially include smartphones, personal computers, and automobiles, all of which created substantial wealth for early investors. As exponential technologies emerge, they can be difficult to detect using an automated screening process because of their novelty and inconsistencies in how they are categorized.

### A Novel Approach to Creating a Technologies Index

To create an index that identifies exponential technologies, Morningstar enlisted its team of more than 100 equity analysts with expertise across sectors, industries, and regions.

Morningstar analysts are subject-matter experts on the companies they cover and the technologies’ applicability to the broader industry. Analysts have a profound

understanding of each firm’s assets (tangible and intangible), strategic direction, and capabilities.

Morningstar analysts employ a fundamental approach in identifying themes and companies exposed, agnostic to their sector or geographic factors.

### About the Exponential Technologies Index

The Morningstar Exponential Technologies Index represents global companies that offer distinct exposures to key areas of technological transformation across all areas of the economy.

Morningstar has initially identified nine technology themes expected to generate exponential economic benefits for companies that produce the technologies or those that use them. Our proprietary research methodology recognizes themes and the companies expected to profit. The nine exponential technology themes are:

- ▶ Big data and analytics
- ▶ Nanotechnology
- ▶ Networks and computer systems
- ▶ Energy and environmental systems
- ▶ Medicine and neuroscience
- ▶ Robotics
- ▶ 3-D printing
- ▶ Bioinformatics
- ▶ Financial services innovation

## Index Construction Process

Exponential technology themes and scores are reviewed annually by the equity research team before reconstitution of the index, which occurs each December. Each theme may have up to five leaders.

### Selection Universe

Securities part of the Morningstar® Global Markets Index<sup>SM</sup> and covered by Morningstar equity research analysts

### Theme Exposure

Assign exposure scores to each company for each theme, with 2 being the highest

### Theme Leaders

Equity research managers select “leaders” from the companies having a score of 2 and reassign their score to 3

### Portfolio Selection

Select the top 200 constituents with preference toward ‘leaders’ and others with significant exposure to one or more themes

**Morningstar® Exponential Technologies Index<sup>SM</sup>**

## Morningstar® Exponential Technologies Index™

### Analysis

	Morningstar® Global Markets Index	Morningstar® Exponential Technologies Index
<b>Basic Materials</b>	6%	3%
<b>Communication Services</b>	4%	15%
<b>Consumer Cyclical</b>	11%	2%
<b>Consumer Defensive</b>	9%	0%
<b>Energy</b>	7%	3%
<b>Financial Services</b>	18%	5%
<b>Healthcare</b>	11%	28%
<b>Industrials</b>	11%	13%
<b>Real Estate</b>	4%	0%
<b>Technology</b>	13%	30%
<b>Utilities</b>	3%	1%
	100%	100%
	Morningstar® Global Markets Index	Morningstar® Exponential Technologies Index
<b>Developed Asia Pacific</b>	12%	4%
<b>Developed Europe</b>	22%	22%
<b>Developed Middle East and Africa</b>	0%	0%
<b>Developed North America</b>	56%	70%
<b>Emerging Asia</b>	7%	2%
<b>Emerging Europe</b>	1%	0%
<b>Emerging Latin America</b>	2%	1%
<b>Emerging Middle East and Africa</b>	1%	0%
	100%	100%
	Morningstar® Global Markets Index	Morningstar® Exponential Technologies Index
<b>Large Cap</b>	73%	55%
<b>Mid Cap</b>	20%	39%
<b>Small Cap</b>	7%	6%
	100%	100%

Data as of Dec.22, 2014