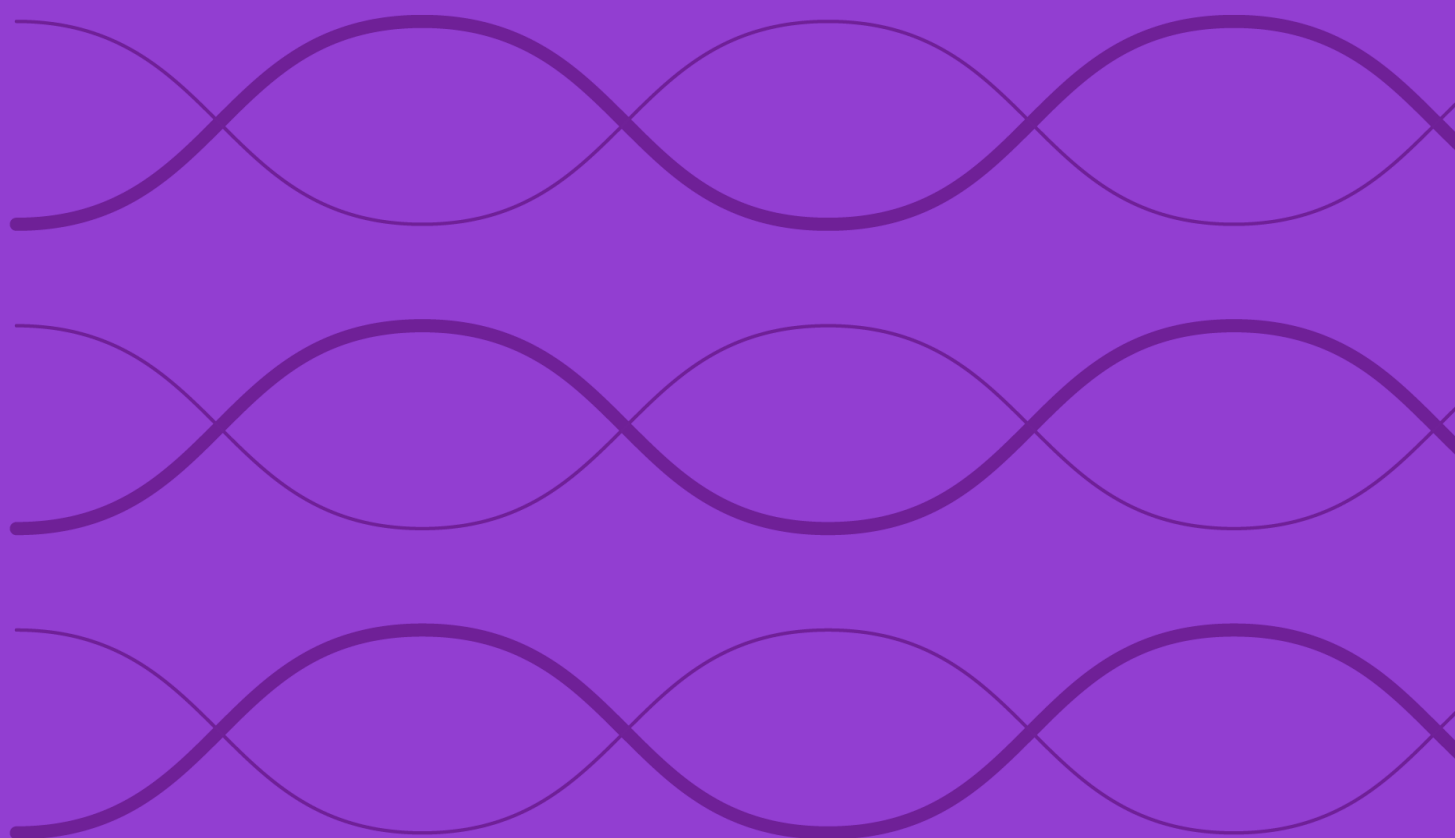


Construction Rules for the Morningstar Single-Source Wide Moat Focus Indexes



Overview	3
Index Construction	4
Methodology Summary.....	4
Starting Universe.....	4
Eligibility	4
Portfolio Construction.....	5
Index Maintenance and Calculation.....	7
Scheduled Maintenance	7
Corporate Actions.....	7
Index Calculation and Price Data.....	7
Methodology Review and Index Cessation Policy.....	8
Data Correction and Precision	9
Intraday Index Data Corrections.....	9
Index-Related Data and Divisor Corrections	9
Appendixes	10
Appendix 1: Glossary	10
Appendix 2: Staggered Reconstitution Process	10
Appendix 3: Determine Target Number of Constituents	11
Appendix 4: Individual Indexes	12
Appendix 1: Modifications to the Rulebook	12
About Morningstar Indexes	14

Overview

The Morningstar Single-Source Wide Moat Focus Indexes provide exposure to companies that receive Morningstar Economic Moat Ratings of wide underpinned by one of the following moat sources, and that are also trading at the lowest current market price/fair value ratios:

- Cost Advantage
- Intangible Assets
- Switching Costs
- Network Effect

Moat ratings, moat sources, and fair value estimates are determined through independent research conducted by the Morningstar Equity Research team.

For more information on the moat rating process and fair value estimation performed by Morningstar Equity Research, refer to [Morningstar Equity Research Methodology](#).

This index does not incorporate Environmental, Social, or Governance (ESG) criteria.

The inception dates of the indexes as well as performance inception dates, when the first back-tested index value was calculated, are provided in the appendix.

Index Construction

Methodology Summary

Starting Universe

- Select constituents from the Morningstar Global Markets Index.

Eligibility

- Select companies with a wide moat rating and a fair value estimate.
- Select companies that have been assigned the corresponding moat source.
- Apply free-float market cap screen.
- Apply momentum screen.
- Apply liquidity screen.

Portfolio Construction

- Select N companies based on lowest current market price/fair value ratio.
- Apply buffer rule for existing constituents.
- Apply sector/country capping.
- Staggered reconstitution with equal weighting

Morningstar Single-Source Wide Moat Focus Indexes

Starting Universe

The Morningstar Single-Source Wide Moat Focus Indexes consist of two sub portfolios of N companies¹.

Eligibility

At each reconstitution, constituents of the Morningstar Single-Source Wide Moat Focus Index are derived from the corresponding Morningstar Global Markets Index (benchmark). For more details on benchmark construction, refer to the [Construction Rules for the Morningstar Global Markets Index](#).

To be eligible for inclusion in the Index, all constituents must meet the following criteria in sequence:

- Analyst Data
 - Company is assigned a Morningstar Economic Moat Rating of wide by Morningstar's Equity Research team.
 - Company's economic moat rating is attributed to the relevant moat source being targeted.
 - Company is assigned a fair value estimate by Morningstar's Equity Research team.
 - Company's fair value estimate is not under review at the time of reconstitution.

¹ N is determined dynamically using the rules provided in the appendix 3.

- A company may go under review, either because the analyst is incorporating new information into the valuation model or because of a transition in analyst coverage.
 - Morningstar's Equity Research team strives to minimize the amount of time a fair value estimate is under review, particularly for moat-rated stocks, and therefore it is expected to be rare for a stock to drop out of the index for this reason.
 - Company must have 12 months of price history.
 - Minimum float market-capitalization filter
- At each reconstitution date in the sub-portfolio being reconstituted, securities meeting the above criteria will be ranked in descending order based on float market capitalization, and those securities in the bottom 3% (by count) will no longer be eligible for inclusion in the index.
- If a company has more than one eligible share class:
 - Select the one that is a current index constituent.
 - Otherwise, select the most liquid share class determined by Morningstar Indexes.

Portfolio Construction

- Momentum Screen
- Eligible securities are ranked by the percentage change in price from 12 months ago. The securities in the bottom 20% are screened out.
- Liquidity Filter
- Non-index constituents having a three-month average daily trading value, or ADTV, of less than USD 5 million are screened out.
- Buffer Rules
- Index constituents of the subportfolio ranked within the top 1.5 times of N in the screened universe (securities remaining after free float mcap, momentum and liquidity filter) based on current market price/fair value ratio are given preference in subsequent steps.
- Country and Sector Capping Rules²
- The maximum weight of an individual country or sector in the index is capped at 10% plus its corresponding weight in the benchmark, or 40%, whichever is higher.

$$\begin{aligned} \text{Maximum Sector Weight} &= \text{Max} (40\%, \text{benchmark weight} + 10\%) \\ \text{Maximum Country Weight} &= \text{Max} (40\%, \text{benchmark weight} + 10\%) \end{aligned}$$

- Portfolio Selection

² Country, followed by sector, caps are relaxed sequentially if the number of securities in the subportfolio is less than N.

At this stage, all buffered constituents are retained in the index. From among the remaining companies, those representing the lowest current market price/fair value ratios are included in the index until the number of constituents reaches N. The two subportfolios are consolidated to form the aggregate portfolio.

Number of Stocks

Each reconstituted subportfolio targets N constituents based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. However, if securities fall short of the selection and eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the subportfolio can hold more or fewer than N companies. In addition, securities that are deleted from the corresponding benchmark Index after June and December reconstitutions are simultaneously deleted from the Morningstar Single-Source Wide Moat Focus Indexes. N varies for each index in the family based on the size of eligible universe and buffers, which are checked at each reconstitution. Refer to Appendix 3 for details.

Index Weighting

The index is equal weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation

Scheduled Maintenance

The subportfolios are reconstituted semiannually (i.e., the membership is reset) and rebalanced (i.e. the number of free float shares of each constituent security is adjusted) with a quarterly staggered schedule. Consequently, about half of the total index membership is reset every quarter and adjustments are made on “the Monday following the third Friday of March, June, September, and December”. If the Monday is a holiday, reconstitution occurs on the Tuesday immediately following. In addition, the subportfolio weights are reset to 50% each in June and December. Refer to Appendix 2 for the staggered reconstitution implementation process.

The analyst data (moat rating and fair value estimates) used to reconstitute the index is as of the first Friday of the reconstitution month.

Corporate Actions

The treatment of corporate actions will be as per the alternatively-weighted indexes.

For more details, please refer to the “Treatment for alternatively-weighted indexes” section in the [Morningstar Indexes Corporate Actions Methodology rulebook](#).

Index Calculation and Price Data

Details about index calculations and price data can be found in their respective rulebooks: [Morningstar Indexes Calculation Methodology](#) and [Equity Closing Prices Used for Index Calculation](#).

Methodology Review and Index Cessation Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews take into account corporate action treatment, selection, and maintenance procedures. Subscribers to the index will be notified before any methodology changes are made. For more details, refer to the [Morningstar Index Methodology Change Policy](#).

Morningstar also notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to the index, or a possible cessation of the index. Circumstances that could lead to an index cessation include, but are not limited to, market structure change, product definition change, inadequate supply of data, insufficient revenue associated with the index, insufficient number of clients using the index, and/or other external factors beyond the control of the Morningstar Index Committee.

Because the cessation of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures if an index is terminated. For more details, refer to the [Morningstar Index Cessation Process](#).

Data Correction and Precision

Intraday Index Data Corrections

Commercially reasonable efforts are made to ensure the accuracy of data used in real-time index calculations. If incorrect price or corporate action data affects index calculations, corrections are applied prospectively.

Index-Related Data and Divisor Corrections

Incorrect pricing and corporate action data for individual issues in the database will be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within two days of its occurrence, will always be fixed retroactively on the day it is discovered to prevent an error from being carried forward. Commercially reasonable efforts are made to correct an older error subject to its significance and feasibility.

For more details, refer to the [Recalculation Guidelines](#).

Exceptions

While Morningstar will seek to apply the method described above, the market environment, supervisory, legal, financial, or tax reasons may require an alternative approach to be adopted. A decision to take an alternative approach will be made by the relevant Morningstar Indexes Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Indexes Oversight Committee.

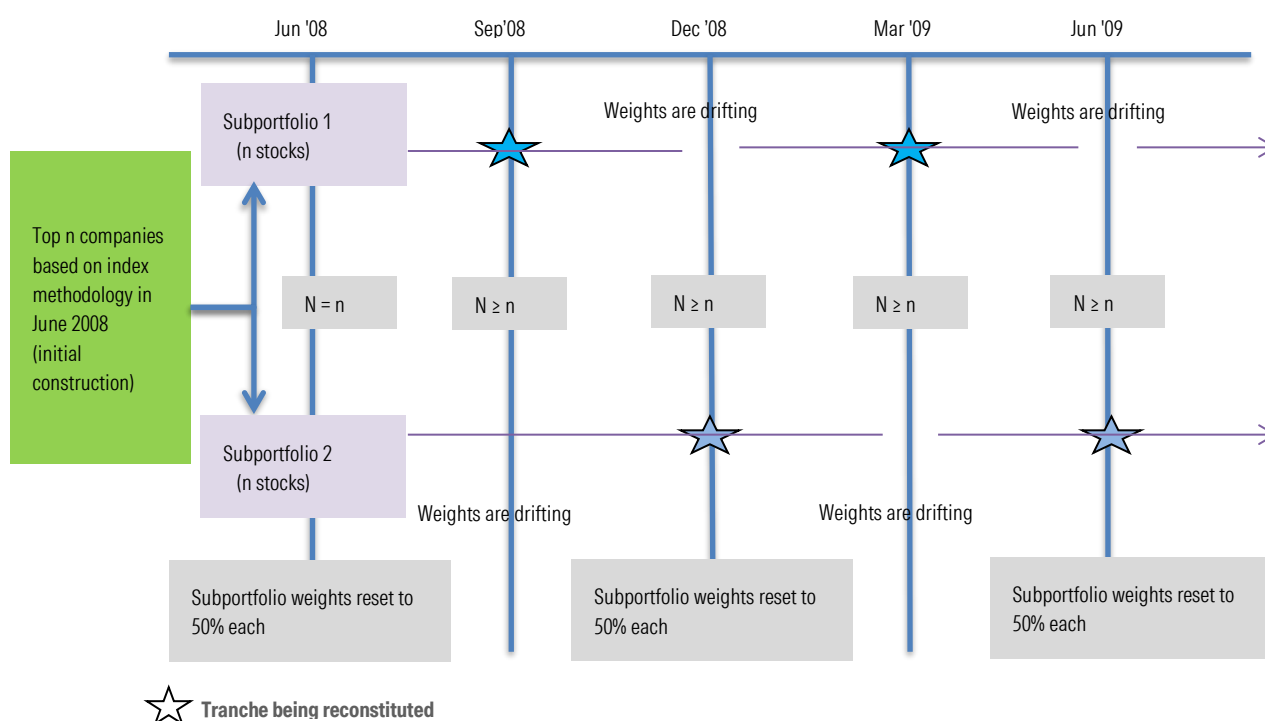
Appendixes

Appendix 1: Glossary

Terms	Description
Reconstitution	During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset.
Rebalance	During each rebalancing, the weights are reset and adjusted for updated free-float and shares outstanding data.

Appendix 2: Staggered Reconstitution Process

Exhibit 2: Staggered Reconstitution Schematic



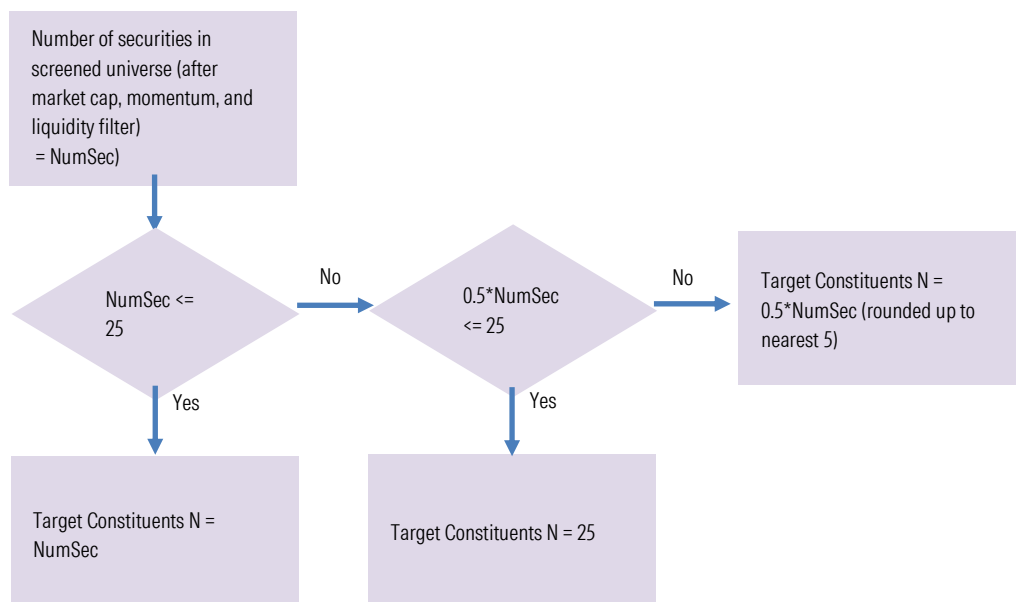
The portfolio construction process is described below:

- 1) At initial construction (for example, June 2008), both of the subportfolios are reconstituted at the same time and therefore have an identical portfolio composition. The subportfolios are set to equal weights at 50% each.
- 2) In September, only the first subportfolio is reconstituted, while the second is not (drifted leg). As a result, the composition of the subportfolios may not remain identical.
- 3) In December, the second subportfolio is reconstituted and the first forms the drifted leg. In addition, the subportfolio weights are reset to 50% each and distributed among the securities within them in proportion to their weights.

- 4) In March, the first subportfolio is reconstituted again.
- 5) In June, the second subportfolio is reconstituted. In addition, the subportfolio weights are reset to 50%.
- 6) The process is repeated (go to Step 2).

Appendix 3: Determine Target Number of Constituents

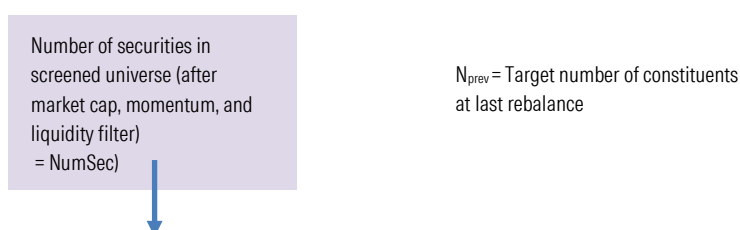
Exhibit 3: Determining Target Number of Constituents—Initial Subportfolio Construction

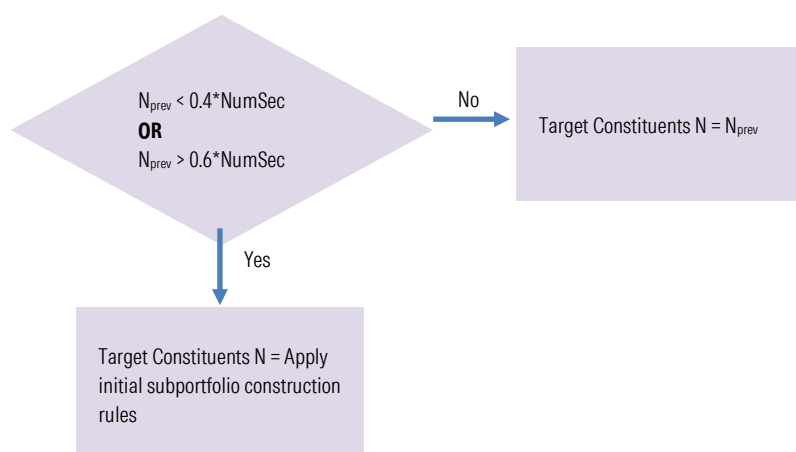


The target number of constituents at initial portfolio construction is determined using the following steps:

- 1) At initial subportfolio construction, count the securities (NumSec) remaining after applying momentum, liquidity and minimum free float market cap filter cited in the Security Selection section above.
- 2) If NumSec is less than or equal to 25, select all the securities in final subportfolio.
- 3) If NumSec is greater than 25, but 50% of NumSec is less than or equal to 25, target N is set to 25.
- 4) If 50% of NumSec is greater than 25, target N is set to 50% of NumSec rounded up to nearest 5. For example, if 50% of NumSec is 46, then target N is set at 50 stocks.

Exhibit 4: Determining Target Number of Constituents—Quarterly Subportfolio Reviews





The target number of constituents during reconstitution is determined using the following steps:

- 1) At each subportfolio reconstitution, count the securities (NumSec) remaining after applying momentum, liquidity and minimum free float market-cap filter cited in the Security Selection section above.
- 2) Note the target number of constituents from the last reconstitution (N_{prev}).
- 3) If N_{prev} is greater than or equal to 40% of NumSec and less than or equal to 60% of NumSec, the target N for the current reconstitution will be N_{prev} .
- 4) If N_{prev} is outside of the buffer window (40%-60% of NumSec), apply the initial portfolio-construction algorithm to determine target N.

Appendix 4: Individual Indexes³

Index	Performance Inception Date	Inception Date
Morningstar Global Cost Advantage Wide Moat Focus Index	06/15/2012	11/30/2022
Morningstar Global Network Effect Wide Moat Focus Index	06/15/2012	11/30/2022
Morningstar Global Intangible Assets Wide Moat Focus Index	06/15/2012	11/30/2022
Morningstar Global Switching Costs Wide Moat Focus Index	06/15/2012	11/30/2022

Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Data Correction and Precision	Computational and Reporting Precision Section removed	May 2025

³ Buffers and the liquidity filter mentioned in the Security Selection section are not applied at the Dec.19, 2022 reconstitution to simulate an initial construction for the index composition at the Dec.19, 2022 reconstitution for all indexes in the family.

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. 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.

Morningstar Index Methodology Committee

The Morningstar Index Methodology Committee oversees all new indexes development, index methodology changes, and cessation of indexes for any indexes where Morningstar owns the Intellectual Property. This committee is also charged with ensuring that indexes align with Morningstar Research principles and values. The group is comprised of members of the index team with index research, product development, product management, client service, index implementation and operation expertise who provide the first layer of governance over index design and methodology.

Morningstar Index Operations Committee

The Morningstar Index Operations Committee governs the processes, systems and exception handling of the day-to-day management of all live indexes, including index rebalancing and reconstitution, restatements, market classification and contingency management. The committee oversees the annual review of index methodology (as required by UK & EU Benchmark Regulations “BMR”), ensuring methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group is comprised of members of the index team with data, operations, corporate actions, product development, index launch, client service and index management experience who provide the first layer of governance over index operations.

Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is responsible for the index oversight function as per the requirements of the UK & European BMR--providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant BMR. Its remit extends to all calculation and administration-related business activities of Morningstar Indexes including administration of Morningstar-owned benchmarks as well as client-owned benchmarks and index calculation. The oversight function is part of the organizational structure of Morningstar but is separate and independent from the Index business, Index Management and the other Index Committees.

www.indexes.morningstar.com

Contact Us

indexes@morningstar.com

The information in this document is the property of Morningstar, Inc. Reproduction or transcription by any means, in whole or part, without the prior written consent of Morningstar, Inc., is prohibited. While data contained in this report are gathered from reliable sources, accuracy and completeness cannot be guaranteed. All data, information, and opinions are subject to change without notice. This document may contain back-tested or simulated performances and the subsequent results achieved by the investment strategy may be materially different.