

Construction Rules for the Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight



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Overview

The Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight index seeks exposure to the top 10 stocks by free-float market capitalization in the Morningstar Developed Markets Europe Index and involved in the Aerospace & Defense and Specialty Industrial Machinery industries as of April 23, 2024. The Index constituents do not change, outside of changes derived from corporate actions.

This index does not incorporate Environmental, Social, or Governance (ESG) criteria. This Index is also available in decrement formats.

Index Inception and Performance Start Date

The index inception date is August 16, 2024 and the performance start date, when the first back-tested index value was calculated, is June 20, 2008.

Index Construction

Methodology Summary

Starting Universe

- Morningstar Developed Markets Europe Index constituents as of April 23, 2024

Eligibility

- Select companies from France, Germany, Italy and the United Kingdom
- Select the following sectors from France, Germany and Italy
 - Aerospace & Defense
- Select the following sectors from the United Kingdom
 - Aerospace & Defense
 - Specialty Industrial Machinery

Portfolio Construction

- Select top 10 companies by free-float market capitalization
- Select a maximum of 3 stocks from the United Kingdom
- Apply an equal weighing scheme

Morningstar
Developed Europe
Aerospace & Defense
Static Select Equal
Weight

Starting Universe

Constituents of the Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight are derived from the Morningstar Developed Markets Europe Index. For more details on benchmark construction, refer to the construction rules for the [Morningstar Developed Markets Europe Index](#).

Eligibility

The following eligibility criteria were applied effective 23rd of April 2024 and constituents were selected as of this date. From this point forward, the constituents should not change, unless changes are required due to corporate actions.

- Have a Country of Classification of:
 - France
 - Germany
 - Italy
 - The United Kingdom
- Be categorized in the following sector as per GECS¹
 - Aerospace & Defense (31010010)
 - Specialty Industrial Machinery (31070020)

¹ [Global Equity Classification Structure | Morningstar Indexes](#)

Portfolio Construction

Select top 10 stocks by market capitalization

- Include a maximum of 3 companies with the United Kingdom as the country of classification
- Apply an equal weighting scheme

Number of Stocks

The index targets a fixed number of stocks based on a transparent ranking system subject to the application of eligibility criteria. However, if fewer than the targeted number of securities from the starting universe meet eligibility criteria, or if securities are added or deleted as a result of corporate actions after initial construction, the constituent count may deviate from the targeted number. If the number of eligible securities is less than the targeted constituent count, all eligible securities are selected. The rebalance schedule is provided in the "Index Maintenance and Calculation" section. The target count for this index is 10.

Index Weighting

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

Index Maintenance and Calculation

Reconstitution and Rebalancing

Because this is a static index, it does not reconstitute. The eligibility criteria were applied as of 23rd of April 2024. From this point forward, the constituents should not change, unless changes are required due to corporate actions.

The index is rebalanced quarterly on the third Friday of March, June, September, and December. Adjustments are implemented after Friday's market close and reflected the following Monday. If Monday is an index holiday, the rebalance is reflected the next business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November.

Index files are published according to the Global calendar schedule. For more information, please refer to the [Morningstar Indexes Holiday Calendar](#).

Corporate Actions

The treatment of corporate actions will be as per the alternatively weighted indexes corporate action methodology. For more details, please refer to 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 consider corporate action treatment, eligibility requirements, 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 Indexes notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to, or a possible cessation of, the index. These circumstances are generally not within Morningstar's control and may include significant changes to the underlying market structure, inadequate access to necessary data, geo-political events, and regulatory changes. In addition, factors such as low usage or methodology convergence may result in the cessation of an index.

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 generally be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within two days of its occurrence, will 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 Index Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Index Oversight Committee.

Appendixes

Appendix 1: Glossary

Term	Description
Rebalance	During each rebalance, the weights are adjusted for updated free-float and shares outstanding data.

Appendix 2: Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight Decrement Indexes

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight Decrement 50 Point GR	Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight GR	1000	Jun. 03, 2025	Jun. 20, 2008	Aug. 16, 2024
Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight Decrement 5% NR	Morningstar Developed Europe Aerospace & Defense Static Select Equal Weight NR	1000	Jun. 20, 2008	Jun. 20, 2008	Aug. 16, 2024

Appendix 3: Decrement Levels

The index levels are adjusted by deducting a predetermined value of index points from the gross return, or GR, or fixed percentage point from the net return, or NR, levels of the base index. These constant markdowns are applied to the base index daily.

Return Variant of the Base Index	Base Currency	Decrement Type	Decrement Frequency	Decrement Application	Decrement Value	Day Count Convention
Net Total Return Gross Total Return	EUR	Fixed Percentage Decrement or Fixed Point Decrement based on the index version.	Daily	Geometric application for both decrement types.	5% decrement based on the Net Total Return 50-point decrement based on Gross Total Return	*ACT/365

*ACT is the number of calendar days between two calculation days.

Formula for Fixed Point Decrement Geometric Decrement Calculation

$$IV_t = (IV_{t-1} \times (U_t \div U_{t-1})) - (D \times (\text{Act}(t-1, t) \div \text{DayCount}))$$

Where:

IV_t = The value of the Fixed Point Decrement Index for calculation day t

IV_{t-1} = The value of the Fixed Point Decrement Index for day t-1
 U_t = The value of the base Index for calculation day t
 U_{t-1} = The value of the base Index for calculation day t-1
 $Act(t-1,t)$ = Number of calendar days between calculation day t-1 and calculation day t
 D = The Decrement value expressed in Index points
 $DayCount$ = Set to 365

**Formula for Fixed Percentage Decrement
Geometric Decrement Calculation**

$$IV_t = IV_{t-1} \times ((U_t \div U_{t-1}) - (c \times (Act(t-1,t) \div DayCount))$$

Where:

IV_t = The value of the Fixed Percentage Decrement Index for calculation day t
 IV_{t-1} = The value of the Fixed Percentage Decrement Index for day t-1
 U_t = The value of the base Index for calculation day t
 U_{t-1} = The value of the base Index for calculation day t-1
 $Act(t-1,t)$ = Number of calendar days between calculation day t-1 and calculation day t
 c = The Decrement value expressed in Fixed Percentage
 $DayCount$ = Set to 365

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 index 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 comprises 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 U.K. and EU benchmark regulations, or BMR), ensuring that methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group comprises 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 U.K. and 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.

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