

# Construction Rules for the Morningstar<sup>®</sup> High Dividend Yield Indexes<sup>SM</sup>



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## Overview

The Morningstar® High Dividend Yield Indexes are designed to measure the performance of high dividend yielding stocks. These indexes target stocks representing the top half of the dividend paying subset of their parent benchmarks by float market capitalization.

These indexes do not incorporate environmental, social, or governance criteria.

## Index Inception and Performance Start Date

The index inception dates, and the performance start dates, when the first back-tested index values were calculated, are listed in Appendix 4.

## Index Construction

### Exhibit 1: Construction Process



### Assigning Stocks to the Index

#### Starting Universe

At each reconstitution, securities for the Morningstar High Dividend Yield Indexes are derived from their respective parent index (benchmark) from the Morningstar Global Markets Index family. For more details on benchmark construction, refer to the [construction rules for the Morningstar Global Markets Indexes](#).

#### Security Selection

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

- Real estate investment trusts (REITs) are excluded.
- Each company must have a non-zero trailing twelve-month (TTM) dividend yield.
- The dividend paying securities are divided by region. Refer to Appendix 3 for more details.
- Securities within each region are ranked in descending order by their TTM dividend yield.
- Securities ranking in the top 50% by float market cap in each region are targeted for inclusion, subject to the buffer condition below.
  - Buffer Rules: Current constituents are favored over new entrants if their dividend yield falls in the top 60% of the dividend paying universe of the parent index by float market capitalization.
- Morningstar Global ex-US High Dividend Yield Index starts with the dividend paying universe in each region. The securities are then ranked and then the top 50% of the dividend paying universe of that region is selected by float market capitalization. The portfolios of the seven regions are then aggregated to form the Morningstar Global ex-US High Dividend Yield Index.

- The Morningstar Global High Dividend Yield Index is derived by aggregating the portfolios of the Morningstar US High Dividend Yield Index and Morningstar Global ex-US High Dividend Yield Index in proportion of their respective aggregate float market capitalization.

#### *Number of Stocks*

The number of stocks in each index is variable, subject to the selection and eligibility criteria at the time of reconstitution.

#### *Index Weighting*

The indexes are float market capitalization weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

## Index Maintenance and Calculation

### Scheduled Maintenance

The indexes are reconstituted, where the membership is reset, semi-annually. Adjustments are made on the Monday following the third Friday of June and December. If the Monday is a holiday, reconstitution occurs on the Tuesday immediately following. The market data used for reconstitution is as of the last trading day of May and November.

The indexes are rebalanced quarterly and implemented after the close of business on the third Friday of March, June, September, and December and is effective the following Monday. If Monday is a holiday, rebalance is effective on the immediately following 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 float market capitalization weighted indexes. 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, 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 Methodology 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 daily highs or lows, it is corrected retroactively as soon as is feasible.

### 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 five 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](#).

### Computational and Reporting Precision

For reporting purposes, index values are rounded to two decimal places and divisors are rounded to appropriate decimal places.

### 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 Methodology Committee, and in all instances, the application of a non-standard process will be reported to the Morningstar Index Oversight Committee.



## Appendixes

### Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Entire rulebook	Moved to new template.	March 2023

### Appendix 2: Glossary

Section	Description of Change
Reconstitution	During each reconstitution, the eligibility and ranking steps outlined in the Security Selection section are performed, resulting in membership reset.
Rebalance	During each rebalance, the weights are adjusted for updated free-float and shares outstanding data.

### Appendix 3: Regions

Section
Developed Markets North America (ex-US)
Developed Markets Asia Pacific
Developed Markets Europe (includes Developed Markets Middle East and Africa)
Emerging Markets Asia
Emerging Markets Europe
Emerging Markets Latin America
Emerging Markets Middle East and Africa
United States

### Appendix 4: Indexes in the Family

Index	Parent Index	Inception Date	Performance Start Date
Morningstar US High Dividend Yield Index	Morningstar US Market Index	Jan. 25, 2022	Jun. 16, 2006
Morningstar Global ex-US High Dividend Yield Index	Morningstar Global Markets ex-US Index	Jan. 25, 2022	Jun. 16, 2006
Morningstar Global High Dividend Yield Index	Morningstar Global Markets Index	Jan. 25, 2022	Jun. 16, 2006

## 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 Indexes 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.

[www.indexes.morningstar.com](http://www.indexes.morningstar.com)

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