

Construction Rules for the Morningstar® Single Theme Upstream Natural Resources Indexes



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Overview

The Morningstar Single Theme Upstream Natural Resources Indexes are designed to provide exposure to stocks involved in the upstream portion of the natural resources supply chain in one of the following categories: agriculture, energy, precious or industrial metals, timber, and water. These classifications are defined by the Morningstar Global Equity Classification Structure (GECS).

These indexes do not incorporate Environmental, Social, or Governance (ESG) criteria.

Index Inception and Performance Start Date

The index inception date is May 08, 2024, and the performance start date, when the first back-tested index value was calculated, is December 15, 2000.

Index Construction

Methodology Summary

Starting Universe

- Morningstar Global Markets Index

Eligibility

- Stocks must be assigned to a GECS industry associated with the targeted natural resources theme: energy, metals, agriculture, timber, or water.
- Minimum ADTV of \$1 million
- Minimum float market cap of \$1 billion (\$500 for water and timber)

Portfolio Construction

- Tilted Float Market Capitalization weighted with 5-10-40 security capping
- Jun & Dec Reconstitution with quarterly rebalancing

Morningstar Single Theme Upstream Natural Resources Indexes

Starting Universe

At each reconstitution, constituents of the Morningstar Single Theme Upstream Natural Resources Indexes are derived from the Morningstar Global Markets Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Morningstar Global Markets Indexes](#).

Eligibility

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

- The company must be assigned to one of the industries mapped to the natural resources category the index targets: energy, metals, agriculture, timber, or water. Each index only targets one category. The Morningstar industry classification determines membership in the appropriate resource category, as shown in Appendix 2. For more details on Morningstar's industry classification system, refer to the Morningstar Global Equity Classification Structure.
- The security must have an average daily traded value (three-month) of at least \$1 million.
- Securities in energy, metals, or agriculture resource category must have a minimum float market capitalization of \$1 billion. Securities in timber and water categories must have a minimum float market capitalization of \$500 million.

Portfolio Construction

All eligible securities are targeted for inclusion in each index.

Number of Stocks

The number of stocks in the index is variable, subject to the size of the starting universe and the application of eligibility criteria at the time of reconstitution.

Index Weighting

The indexes apply tilt weighting from float market capitalization to overweight constituents from higher priority industries, subject to 5-10-40 capping constraints. Each index constituent is assigned a tilt of 1, 2 and 3 as per the respective priority of 3, 2 and 1 of the GECS Industry to which they belong. The priority of each GECS industry is outlined in Appendix 2. The weightings are capped such that a single constituent cannot have a weight greater than 10% and the sum of all constituent weights greater than or equal to 5% cannot exceed 40%.

For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, semi-annually on the third Friday of June and December. Adjustments are implemented after Friday's market close and reflected the following Monday. If Monday is an index holiday, reconstitution is reflected the next business day. The market data used for reconstitution is as of the last trading day of April and October.

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. During each quarterly rebalance the parent index membership is checked, and the weights of the constituents are reweighted according to the stated weighting scheme using updated float market capitalization data but using the tilt factors from the previous reconstitution.

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-adjusted market capitalization-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](#).

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 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 adjusted for updated free-float and shares outstanding data.

Appendix 2: Eligible Industries and Priority Rank for Weighting

Resource Category	Industry Code (>= Dec19)	Industry Name (>= Dec19)	Priority (>= Dec19)	Industry Code (< Dec19)	Industry Name (< Dec19)	Priority (< Dec19)
Energy	30910020	Oil & Gas E&P	1	30947102	Oil & Gas E&P	1
	30910030	Oil & Gas Integrated	1	30948103	Oil & Gas Integrated	1
	30910050	Oil & Gas Refining & Marketing	2	30950105	Oil & Gas Refining & Marketing	2
	10160010	Coking Coal	1	10104005	Coal	2
	30920010	Thermal Coal	2	10104005	Coal	2
Metals	10150010	Aluminum	1	10106008	Aluminum	1
	10150020	Copper	1	10106009	Copper	1
	10150040	Gold	1	10106010	Gold	1
	10150030	Other Industrial Metals & Mining	1	10106011	Industrial Metals & Minerals	1
	10150050	Silver	1	10106012	Silver	1
	10160020	Steel	2	10107013	Steel	2
	10150060	Other Precious Metals & Mining	1	10106011	Industrial Metals & Minerals	1
	30920020	Uranium	1	10106011	Industrial Metals & Minerals	1
Agriculture	10110010	Agricultural Inputs	1	10101001	Agricultural Inputs	1
	10130010	Chemicals	2	10103003	Chemicals	2
	10130020	Specialty Chemicals	2	10103004	Specialty Chemicals	2
	20525020	Farm Products	1	20531075	Farm Products	1
	31050010	Farm & Heavy Construction Machinery	2	31059116	Farm & Construction Equipment	2
Timber	10140010	Lumber & Wood Production	1	10105006	Lumber & Wood Production	1
	10140020	Paper & Paper Products	2	10105007	Paper & Paper Products	2
	10420090	REIT — Diversified	3	10428064	REIT - Diversified	3
	10420080	REIT — Specialty*	1	-	-	-
Water	20720040	Utilities — Diversified	3	20744095	Utilities - Diversified	3
	20720010	Utilities — Regulated Water	1	20744098	Utilities - Regulated Water	1
	31090010	Waste Management	2	31064129	Waste Management	2

* Only those Specialty REITs whose main line of business is associated with Lumber & Wood Production will be considered eligible for selection

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 Indexes Methodology Committee

The Morningstar Indexes 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 Indexes 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 Indexes Oversight Committee

The Morningstar Indexes 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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