

# Construction Rules for the Morningstar<sup>®</sup> MLP Composite Index<sup>SM</sup>



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## Overview

The Morningstar® MLP Composite Index<sup>SM</sup> is designed to track U.S. publicly traded energy master limited partnerships. This is a diversified, dividend-dollar-weighted index that targets the top 97% of publicly traded energy master limited partnerships by float market capitalization.

This index does not incorporate environmental, social, or governance criteria.

## Index Inception and Performance Start Date

The index inception date is September 9, 2009, and the performance start date, when the first back-tested index value was calculated, is June 16, 2000.

## Index Construction

### Methodology Summary

#### Starting Universe

- Securities trading on NYSE, NYSE MKT, or Nasdaq.

#### Eligibility

- The security must be structured as an MLP or LLC that distributes K-1 dividends.
- Issuing company must be classified in select Morningstar industries list described below.
- Company's country of domicile should be the U.S., or the primary stock market activities should be carried out in the U.S.
- Nontrading Days <= 10.
- Float market cap > \$250 million.

#### Portfolio Construction

- Select top 97% of float market capitalization

Morningstar MLP  
Composite Index

### Starting Universe

To be eligible for the index, securities must trade on the New York Stock Exchange, the NYSE Market, or the Nasdaq.

### Eligibility

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

- The issuing company must be either (a) structured as a master limited partnership as defined in Title 26, Sections 6231 and 7704 of U.S. Code or (b) structured as a limited liability company that distributes K-1 dividends.
- The issuing company must be involved in producing, processing, or transporting energy or natural resources. Energy companies are those classified in the following Morningstar industries:
  - Chemicals
  - Coal
  - Industrial distribution
  - Oil and gas drilling
  - Oil and gas exploration and production
  - Oil and gas equipment and services
  - Oil and gas integrated
  - Oil and gas midstream
  - Oil and gas refining and marketing
  - Shipping and ports
  - Utilities—diversified

- Utilities—regulated gas
- The issuing company's country of domicile should be the United States, or the issuing company's primary stock market activities are carried out in the U.S.
- Securities that have more than 10 nontrading days in the prior quarter are excluded.
- Securities with a float market cap of under \$250 million are excluded.
- The following security types do not qualify:
  - American depositary receipts and American depositary shares
  - Fixed-dividend shares
  - Convertible notes, warrants, and rights
  - Tracking stocks

Each security that meets these criteria is considered for the MLP Composite Index. The stocks in the selection universe that meet these eligibility criteria are ordered by market capitalization in descending order. The securities that, in aggregate, account for 97% of the total float market capitalization of the investable universe are assigned to the MLP Composite Index.

## **Portfolio Construction**

### *Number of Stocks*

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

### *Index Weighting*

The index is dividend-dollar-weighted in proportion to their indicated dividends with 5-10-50 capping. Under this capping structure, the top constituent weight is capped at 10% and the constituents with weights that exceed 5% may not sum to more than 50% of the index. Constraints will be relaxed if a feasible solution is not obtained. For more details, refer to Appendix 3 for UCITS Compliance and the [Morningstar Indexes Calculation Methodology rulebook](#).

## Index Maintenance and Calculation

### Scheduled Maintenance

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.

Refer to Appendix 2 for details on reconstitution and rebalancing.

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. 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 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: Modifications to the Rulebook

Section	Description of Change	Update Date
Entire Rulebook	Moved to new rulebook template	July 2023

### Appendix 2: Glossary

Section	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 3: UCITS Compliance

In addition, Morningstar monitors the portfolio at each rebalance in the following manner. The Undertakings for Collective Investments in Transferable Securities Directive of 1985, or UCITS, as amended, sets out among matters, the permitted investment and diversification requirements of collective investment schemes, or CIS, structured as UCITS.

This index is designed to comply with the UCITS rules for replicating the return of an index, which provide that a CIS may invest to a maximum of 20% for investment in shares or debt securities of the same body provided that the index being replicated is sufficiently diversified, represents an adequate benchmark for the market to which it refers, and is published in an appropriate manner.

UCITS eligibility: If the 10% limit referred to above changes it should be noted that, for the purpose of ensuring ongoing UCITS compliance, the maximum weighting of any one constituent will at all times be capped at 20%. However, Morningstar reserves the right, that if due to exceptional market circumstances, it may increase the weighting of one constituent of the index to a maximum of 35%. As soon as Morningstar becomes aware of any such market conditions that may lead to such an increase in a constituent weighting, it will publish this information and afford investors (both direct and indirect) an opportunity to make any required regulatory filings or notifications to any regulatory authority in order for the index to remain eligible for UCITS investment.

## 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.

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

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