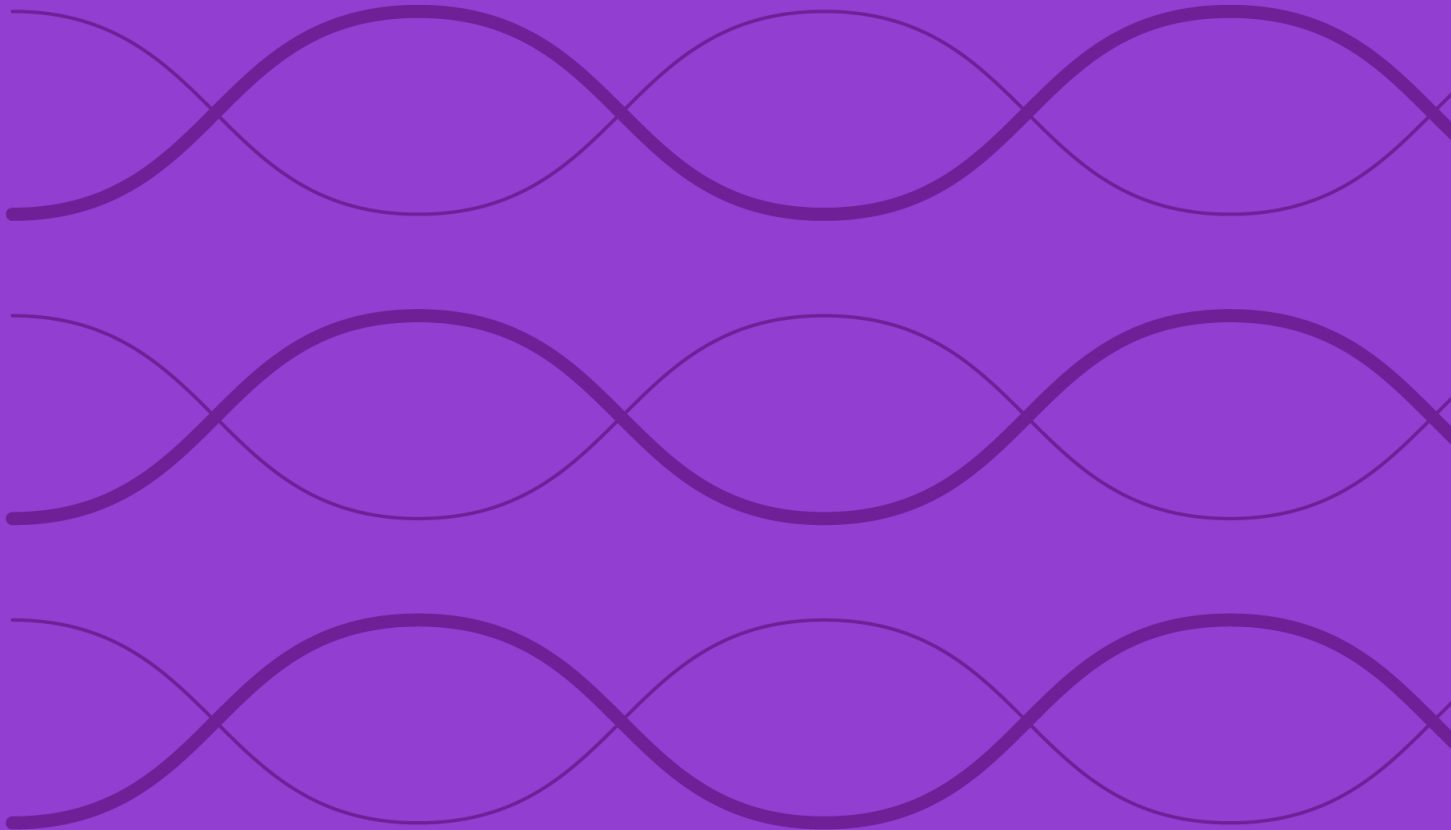


# Construction Rules for the Morningstar<sup>®</sup> Sports Betting & iGaming Select Index<sup>SM</sup>



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## Overview

The Morningstar® Sports Betting & iGaming Index<sup>SM</sup> is designed to deliver unparalleled, thematically pure exposure to the sports and online betting themes by drawing on the in-depth knowledge and forward-looking insights of Morningstar's equity research team.

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

## Index Inception and Performance Start Date

The index inception date is 21<sup>st</sup> Jul 2023, and the performance start date, when the first back-tested index value was calculated, is 17<sup>th</sup> Dec 2021.

## Index Construction

### Methodology Summary

#### Starting Universe

- Global stocks reviewed by Morningstar's equity research team

#### Eligibility

- Companies must be assigned country of classification corresponding to a developed market, or Greece
- Companies must score 1 or higher on either the Sports Betting or iGaming theme.
- Minimum float market-cap of \$100 million
- Minimum ADTV of \$250,000

#### Portfolio Construction

- Assign tilt factor to companies based on the combined score from Sports Betting and iGaming themes.
- Apply weights based on the tilt adjusted market-capitalization.
- Apply 5-10-40 capping.

Morningstar  
Sports Betting &  
iGaming Index  
Select

### Starting Universe

At each reconstitution, securities for the Morningstar Sports Betting & iGaming Select Index are derived from equity universe scored on the Sports Betting and iGaming themes by Morningstar's Equity Research<sup>1</sup>.

### Eligibility

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

- Companies must be assigned a country of classification corresponding to a market Morningstar has classified as developed, or Greece. See Appendix 3 for the list of eligible countries.<sup>2</sup>
- Companies must score 1 or higher on either the Sports Betting or iGaming theme.
- The securities must have a free-float market capitalization of at least USD 100 million.
- The securities must have a three-month average daily traded volume, or ADTV, of at least USD 250,000.
- If a company has more than one eligible share class:
  - The one that is a current index constituent is selected.
  - Otherwise, the most liquid share class determined by Morningstar Indexes is selected.

<sup>1</sup> Exceptions might occur where data for some securities are not covered by Morningstar Indexes designated data sources required for ongoing calculation of the index. Such securities will not be eligible for the index.

<sup>2</sup> This requirement is applied prospectively from September 25, 2023, on. At that time, the index was updated to remove constituents that did not meet this requirement.

## 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 constituents are weighted in proportion to both their combined theme score (Sports Betting score + iGaming score) and their free-float market capitalization subject to capping constraints. Below is the tilt factor assigned to each constituent based on the combined theme score:

Combined Theme Score	Tilt Factor
8	2.00
7	1.75
6	1.50
5	1.25
4	1.00
3	0.50
2	0.25
1	0.10

$$w_i = \frac{Tilt\ Factor_i * FF\ Mcap_i}{\sum_{i=1}^n Tilt\ Factor_i * FF\ Mcap_i}$$

Where:

$w_i$ - initial weight of security  $i$

$n$  – no. of constituents

B-A-C capping of 5-10-40 is applied on the initial weights. This means no constituent can have a weight greater than 10% and the sum of those with 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

### Scheduled Maintenance

The index is reconstituted, where the membership is reset, and rebalanced annually on the third Friday of 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 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 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: Modifications to the Rulebook

Section	Description of Change	Update Date
Eligibility	Updated the eligible markets to only include developed markets and Greece. This change is applied prospectively from September 25, 2023.	June 2023
Entire Rulebook	Moved rulebook to a new template.	September 2023
Corporate Action	Updated link to Morningstar Standard Methodology	July 2024

### Appendix 2: Theme Definitions & Exposures

#### Sports Betting

##### Definition:

The activity of analyzing sports events and wagering on the outcome.

##### Subsegments:

Physically Bookmaking – sports wagering done at casino sportsbooks, licensed sporting areas, at third-party licensed locations, or horse tracks.

Online Bookmaking – sports wagering done through mobile devices or the internet.

Technology provider – develops software solutions for sports betting games; calculate sports odds; utilize customer data analytics to display gaming content in a user friendly manner or offer special promotions; integrate loyalty and platforms across omnichannels; sports media content or educational materials

Marketing/Customer Acquisition – marketing solutions to drive and retain customers.

Media – podcast, video, blog sports betting content

Incubator/REIT – owner of a portfolio or underlying assets of sports betting exposed companies

#### iGaming

##### Definition:

The activity of betting online in games of chance, such as poker, slots, blackjack, or the lottery.

##### Subsegments:

Online Bookmaking – games of chance wagering done through mobile devices or the internet.

Technology – develops software solutions for casino and games of chance betting games; calculate gaming odds; utilize customer data analytics to display gaming content in a user-friendly manner or offer special promotions; integrate loyalty and platforms across omnichannels; educational materials.

Game providers – develops casino, bingo, and lottery games of chance for online consumption. Although bingo and lottery games don't compete directly against a gambling operator, who has an interest in winning, as is the case with more traditional casino slots and games like poker and blackjack, we view these as forms of gambling, as they are also games of chance, facing similar regulatory considerations.

Marketing/Customer Acquisition – marketing solutions to drive and retain customers.

Media – podcast, video, blog sports betting content

Incubator/REIT – owner of a portfolio or underlying assets of iGaming exposed companies

The Morningstar Equity Research Sports Betting & iGaming steering committee trains analysts on the subthemes and scoring framework. Rather than relying solely on historical data points, analysts provide forward-looking data points that translate to thematic exposure scores of 0, 1, 2, 3, or 4 across each subtheme. To garner a thematic exposure score above zero for a given subtheme, a firm must be classified as a producer of related goods or services or a supplier of those producers. Additionally, Morningstar equity analysts must classify the firm as being highly likely to enjoy a material net profit increase from its exposure to that subtheme over the next five years. Analysts then estimate the percent of revenue a firm will derive from its exposure to each subtheme at a point in time five years forward. These estimates translate into thematic exposure scores in the following manner:

- 0 – Less than 10% of revenue of a firm
- 1 – 10%-25% of revenue for a producer or supplier firm
- 2 – 25%-50% of revenue for a producer or supplier firm
- 3 – Greater than 50% of revenue for a supplier firm
- 4 – Greater than 50% of revenue for a producer firm

The Morningstar Equity Research Sports Betting & iGaming steering committee then provides a quality control review of each company's thematic exposure scores to optimize internal consistency. During this step, committee members engage in discussions with analysts and directors to test the rationale behind submitted data points. Once the quality control process has been completed, thematic exposure scores are submitted to the Morningstar Indexes team for index reconstitution purposes.

### Appendix 3: Eligible Markets

Developed Markets		Emerging Markets
Australia	Japan	Greece
Austria	Netherlands	
Belgium	New Zealand	
Canada	Poland	
Denmark	Portugal	
Finland	Singapore	
France	Spain	
Germany	Sweden	
Hong Kong	Switzerland	
Ireland	United Kingdom	
Israel	United States	
Italy		

## 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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