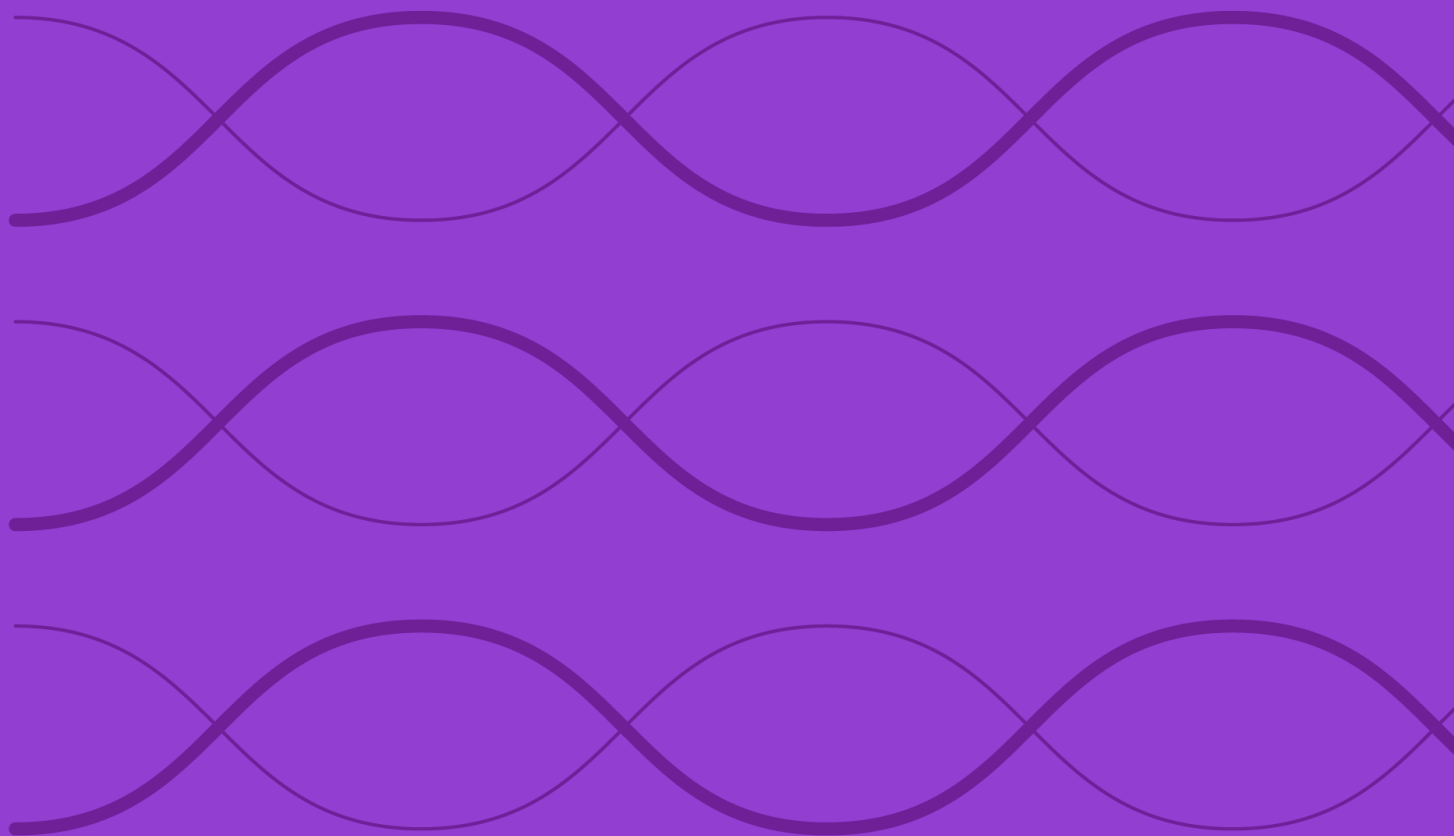


# Construction Rules for the Morningstar<sup>®</sup> Developed Europe Energy Select 10<sup>SM</sup>



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## Overview

The Morningstar® Developed Europe Energy Select 10 Index is designed to target specific regional exposure to the Developed European markets while achieving exposure to the Energy sectors.

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

## Index Inception and Performance Start Date

The index inception date is 16<sup>th</sup> February 2024, and the performance start date, when the first back-tested index value was calculated, is 20<sup>th</sup> June 2008.

## Index Construction

### Methodology Summary

#### Starting Universe

- Select securities from the Morningstar Developed Markets Europe Index.

#### Eligibility

- Select securities from the following sector
  - Energy

#### Portfolio Construction

- Select the top 10 stocks by market cap.
- Free-float market capitalization weighting.
- Apply a 40% cap to non-EEA countries.

Morningstar  
Developed Europe  
Energy Select 10

### Starting Universe

At each reconstitution, constituents of the Morningstar Developed Europe Energy Select 10 Index are derived from the Morningstar Developed Markets Europe Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Developed Markets Europe Index](#).

### Eligibility

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

- Be from the following sector<sup>1</sup> as defined by Morningstar GECS
  - Energy

### Portfolio Construction

- Select the top 10 stocks by market cap
- Apply a free float market capitalization weighting scheme
- Apply a 40% cap to non-EEA countries.

### Number of Stocks

The indexes target a fixed number of stocks based on a transparent ranking system subject to the application of eligibility criteria at reconstitution. 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 reconstitution, the constituent count may deviate from the targeted number. During reconstitution, if the number of eligible securities is less than the targeted constituent count, all eligible securities are selected. The reconstitution schedule is provided in the "Index Maintenance and Calculation" section. The target count for this index is 10.

<sup>1</sup> Morningstar GECS is periodically reviewed and updated, so for maintaining representativeness and continuity of the history for the index strategy, these changes may be backfilled retrospectively where appropriate for indexes created after the effective date of such changes.

*Index Weighting*

The index is float-adjusted market capitalization-weighted. 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.

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](#).

### 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

Term	Description
Reconstitution	During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset.
Rebalance	During each rebalance, the weights are adjusted for updated free-float and shares outstanding data.

### Appendix 2: Morningstar Developed Europe Energy Select 10

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar Developed Europe Energy Select 10 Decrement 50 Point GR	Morningstar Developed Europe Energy Select 10 GR	1000	03 Oct. 2018	20 Jun. 2008	TBC
Morningstar Developed Europe Energy Select 10 Decrement 5% NR	Morningstar Developed Europe Energy Select 10 NR	1000	03 Oct. 2018	20 Jun. 2008	TBC

### 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

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

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<sub>t</sub> = The value of the Fixed Percentage Decrement Index for calculation day t*

*IV<sub>t-1</sub> = The value of the Fixed Percentage Decrement Index for day t-1*

*U<sub>t</sub> = The value of the base Index for calculation day t*

*U<sub>t-1</sub> = 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*

**Appendix 4: Modifications to the Rulebook**

<b>Section</b>	<b>Description of Change</b>	<b>Updated Date</b>
Corporate Action	Transitioned Index to the standard Morningstar Corporate Action Methodology	July 2024
Data Correction and Precision	Computational and Reporting Precision section removed	September 2024

## 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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