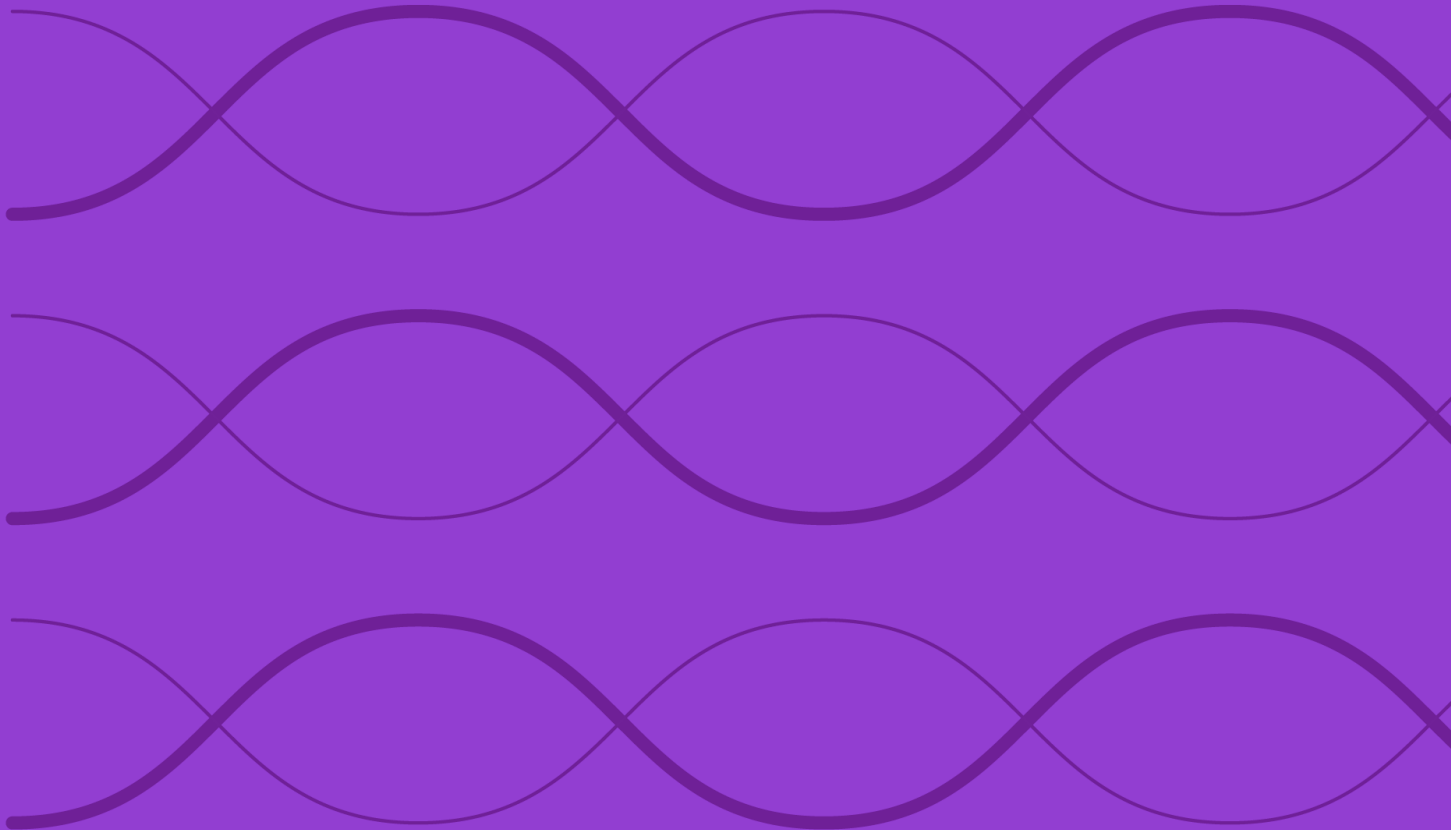


Construction Rules for the Morningstar[®] Global Markets ADR Indexes



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Overview

The Morningstar® Global Markets ADR Indexes are designed to represent the performance of American Depository Receipts (ADRs) of companies represented in the Morningstar Global Markets ex-US Index, which covers developed and emerging markets.

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

Index Inception and Performance Start Date

The inception dates and performance inception dates are provided in Appendix 3.

Index Construction

Exhibit 1: Construction Process



Starting Universe

At each reconstitution, the Morningstar® Global Markets ADR Indexes are constructed by substituting the constituents of the appropriate parent from the Morningstar Global Markets ex-US Indexes (benchmark) with American Depository Receipts (ADR) for each constituent, where available. The Morningstar Global Markets ex-US Indexes cover developed and emerging market stocks representing the top 97% of the investable market by market capitalization. The market-cap break points for this family are as follows (Appendix 4 shows each index in this family, along with its parent):

- Large Cap: Top 70%
- Mid Cap: 70% - 90%
- Small Cap: 90% - 97%

For more details on benchmark construction, refer to the [Construction Rules for Morningstar Global Markets ex-US Indexes](#).

Eligibility

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

- For the substitution, only level II and level III ADR listed on the New York Stock Exchange, NASDAQ, or the American Stock Exchange are eligible. Constituents of Parent Index without ADR listings are excluded.
- Securities that have more than 10 nontrading days in the three calendar months immediately before reconstitution are excluded.

Portfolio Construction

Each security that meets the eligibility criteria above is targeted for inclusion.

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 weighted by float-adjusted market capitalization. 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, 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 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 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 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 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](#).

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	June 2023

Appendix 2: 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 3: Index Inception Date and Performance Start Date

Index Name	Performance Start Date	Inception Date
Morningstar Global Markets ADR	12/16/2011	01/14/2022
Morningstar Global Markets Large Cap ADR	12/16/2011	18/02/2022

Appendix 4: Parent Indexes

Index Name	Parent Index	Target Market Coverage
Morningstar Global Markets ADR	Morningstar Global Markets ex-US	97%
Morningstar Global Markets Large-Cap ADR	Morningstar Global Markets ex- US Large Cap	70%

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 Index 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.

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