

Construction Rules for the Morningstar Exponential Technologies Moat Focus Index



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Overview

The Morningstar® Exponential Technologies Moat Focus Index is designed to provide exposure to companies in Morningstar® Exponential Technologies Index with Morningstar® Economic Moat™ Ratings of wide or narrow that are trading at the lowest current market price/fair value ratios. Moat ratings and fair value estimates are determined through independent research conducted by the Morningstar Equity Research team.

For more information on the moat rating process and fair value estimation performed by Morningstar Equity Research, refer to the [Morningstar Equity Research Methodology](#).

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

Index Inception and Performance Start Date

The index inception date March 2, 2016, and the performance start date, when the first back-tested index value was calculated, is December 20, 2013.

Index Construction

Methodology Summary

Starting Universe	Eligibility	Theme Exposure	Portfolio Construction
<ul style="list-style-type: none"> Morningstar Exponential Technologies Index. 	<ul style="list-style-type: none"> Companies must have a wide or narrow moat rating, a fair value estimate, and a star rating of 3 or greater as assigned by Morningstar's Equity Research team. New constituents must pass liquidity screens. 	<ul style="list-style-type: none"> Thematic exposure scores are assigned to each company, informed by: <ul style="list-style-type: none"> Its role in the value chain Whether it will likely experience a net profit increase from its exposure to the theme The portion of revenue it will likely derive from the theme over the next five years 	<ul style="list-style-type: none"> Select 50 companies based on lowest current market price to fair value ratio. Buffer rules give existing constituents preference

**Morningstar
Exponential
Technologies
Moat Focus
Index**

Starting Universe

Starting Universe

At each reconstitution, securities for the Morningstar Exponential Technologies Moat Focus Index are derived from the Morningstar Exponential Technologies Index (benchmark). For more details on benchmark construction, refer to the [Construction Rules for the Morningstar Exponential Technologies Index](#).

Eligibility

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

- Analyst data
 - The company must be assigned an Economic Moat Rating of Wide or Narrow by Morningstar's Equity Research team.
 - The company must be assigned a star rating of 3 or higher by Morningstar Equity Research.
 - The company must be assigned a fair value estimate by Morningstar's Equity Research team.
 - The company's fair value estimate must not be under review at the time of reconstitution.

- If a company has more than one eligible share class:
 - The one that is a current index constituent is used.
 - Otherwise, the most liquid share class determined by Morningstar Indexes is used.
- Liquidity filter
Non-index constituents must have a three-month average daily trading value, or ADTV, of at least \$20 million.
- Buffer rules
Index constituents of the subportfolio ranked within the top 150% of target count in the eligible universe based on current market price/fair value ratio are given preference in subsequent steps.
- Portfolio selection
All buffered constituents are retained in the index. From among the remaining companies, those representing the lowest current market price/fair value ratios are included in the index until the number of constituents in the sub-portfolio being reconstituted reaches 50. The index consists of two sub-portfolios, which are consolidated to form the aggregate portfolio.

Portfolio Construction

Number of Stocks

Each reconstituted sub-portfolio targets 50 constituents based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. However, if securities fall short of the selection and eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the sub-portfolio can hold more or fewer than 50 companies. The aggregate portfolio can contain between 50 and 100 constituents, as it is formed from the two sub-portfolios. Securities that are deleted from the parent index are simultaneously deleted from the Morningstar Exponential Technologies Moat Focus Index.

Index Weighting

The index is equal weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation

Scheduled Maintenance

The sub-portfolios are reconstituted semi-annually with a quarterly staggered schedule. Consequently, about half of the total index membership is reset every quarter in March, June, September, and December, on the Monday following the third Friday. If Monday is a holiday, it is effective on the immediate following business day. The market data used for reconstitution and rebalance is as of the last trading day of November. The sub-portfolio weights are reset to 50% each in June and December. Refer to Appendix 3 for the staggered reconstitution implementation process.

At any reconstitution, constituents of the drifted sub-portfolio with a star rating of less than 3 are deleted from the sub-portfolio.

The analyst data (moat rating and fair value estimates) used to reconstitute the index is as of the first Friday of the reconstitution month.

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 Indexes 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](#).

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

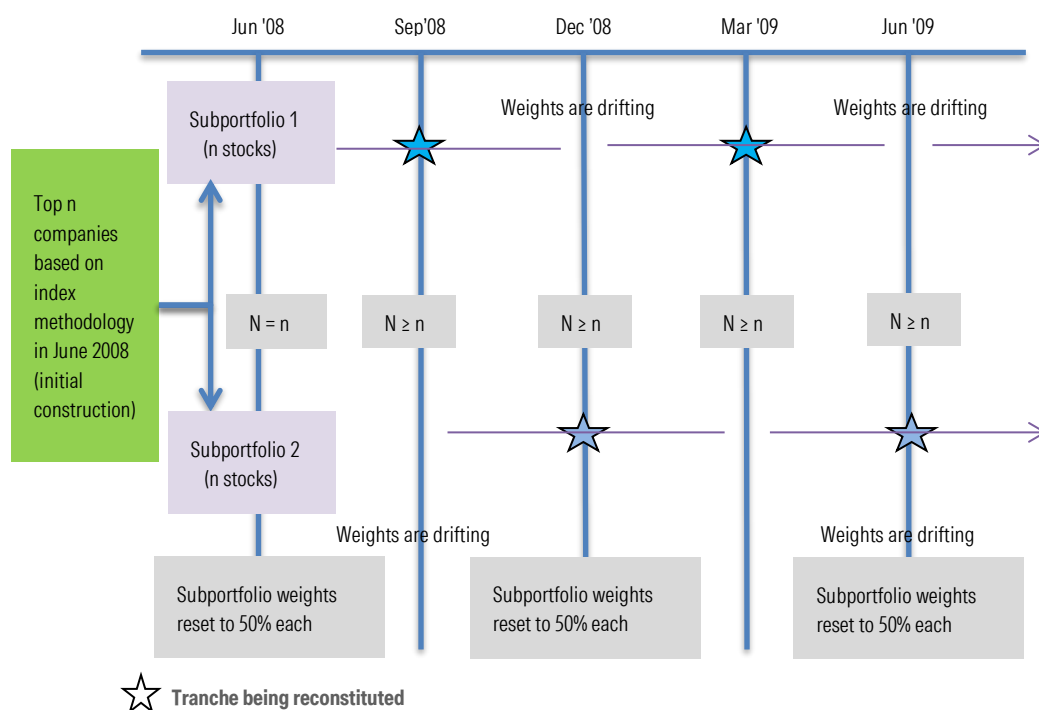
Section	Description of Change	Update Date
Index Construction	<ul style="list-style-type: none"> Liquidity Filter to be applied before Buffer Rules 	June 2017
Entire Rulebook	<ul style="list-style-type: none"> Moved to new rulebook template 	June 2023
Data Correction and Precision	<ul style="list-style-type: none"> Computational and Reporting Precision Section Removed 	May 2025
Index Maintenance & Calculation	<ul style="list-style-type: none"> Analyst data used for reconstitution updated from the Tuesday before the second Friday of the reconstitution month to the first Friday of the reconstitution month 	May 2025

Appendix 2: Glossary

Term	Description
Reconstitution	<ul style="list-style-type: none"> During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset.
Rebalance	<ul style="list-style-type: none"> During each rebalancing, the weights are adjusted for updated free-float and shares outstanding data.

Appendix 3: Staggered Reconstitution Process

Exhibit 2 Staggered Reconstitution Schematic



The portfolio construction process is described below:

1. At initial construction (eg. June 2008), both subportfolios are reconstituted at the same time and therefore have an identical portfolio composition. The subportfolios are set to equal weights at 50% each.
2. In September, only the first subportfolio is reconstituted, while the second is not (drifted leg). As a result, the composition of the subportfolios may not remain identical.
3. In December, the second subportfolio is reconstituted and the first forms the drifted leg. In addition, the subportfolio weights are reset to 50% each and distributed among the securities within them in proportion to their weights.
4. In March, the first subportfolio is reconstituted again.
5. In June, the second subportfolio is reconstituted. In addition, the subportfolio weights are reset to 50%.
6. The process is repeated (go to Step 2).

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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