

Construction Rules for the Morningstar Global ADR Moat Composite Index



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Overview

The Morningstar Global ADR Moat Composite Index is designed to provide exposure to ADRs of wide and narrow moat companies in the Morningstar Global Markets ex-US Index as determined in an independent research process 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 [Morningstar Equity Research Methodology](#).

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

Index Inception and Performance Start Date

The index inception date is February 18, 2022, and the performance start date, when the first back-tested index value was calculated, is December 16, 2011.

Index Construction

Methodology Summary

Starting Universe

- Select constituents of Morningstar Global Markets ex-US Index.
- Constituents of Morningstar Global Markets ex-US Index are substituted with corresponding ADR for each constituent, where available.
- Constituents without ADR listings are excluded.

Eligibility

- ADRs with more than 10 nontrading days in last 3 months are excluded.
- Select securities with a wide or narrow moat rating as assigned by Morningstar's Equity Research team

Portfolio Construction

- Assign equal weights to selected securities.
- Reconstitute semi-annually and rebalance quarterly.

Morningstar Global
ADR Moat
Composite Index

Starting Universe

At each reconstitution, constituents of the Morningstar ADR Global Moat Composite Index are constructed by substituting the constituents of the Morningstar Global Markets ex-US Index (benchmark) with American Depositary Receipts (ADR) for each constituent, where available. For more details on benchmark construction, refer to the [Construction Rules for Morningstar Global Markets ex-US Indexes](#). All constituents that are deleted from benchmark during reconstitution or rebalance will be simultaneously deleted from Morningstar Global ADR Moat Composite Index.

Eligibility

To be eligible for the index, all constituents 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.
- Company is assigned an economic moat rating of wide or narrow by Morningstar's Equity Research team.

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 equal weighted. 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 quarterly. Adjustments are made on the Monday following the third Friday of March, June, September, 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 February, May, August, and November.

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 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](#).

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
Data Correction and Precision	Computational and Reporting Precision Section removed	May 2025
Index Maintenance & Calculation	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

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 reset to their target based on the approach outlined in the weighting section.

Appendix 3: Morningstar Economic Moat Rating

In a free-market economy, capital seeks the areas of highest return. Whenever a company develops a profitable product or service, it doesn't take long before competitive forces drive down its economic profits. Only companies with an economic moat—a structural competitive advantage that allows a firm to earn above-average returns on capital over a long period of time—are able to hold competitors at bay.

To help investors identify companies that possess a moat, Morningstar's Equity Research analysts assign one of three Economic Moat Ratings: none, narrow, or wide. There are two major requirements for firms to earn either a narrow or wide rating: 1) The prospect of earning above-average returns on capital; and 2) Some competitive edge that prevents these returns from quickly deteriorating.

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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