

Construction Rules for the Morningstar Global Wide Moat Focus Indexes



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Overview

The Morningstar Global Wide Moat Focus Indexes provides exposure to companies with Morningstar Economic Moat Ratings of wide that are trading at the lowest current market price/fair value ratios in their respective parent benchmarks. 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 [Morningstar Equity Research Methodology](#).

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

Index Inception and Performance Start Date

The inception dates of the indexes as well as performance start dates, when the first back-tested index values were calculated, are provided in Appendix 3.

Index Construction

Methodology Summary

Starting Universe

- Morningstar Global Markets Indexes
 - Represents 97% of the investable market

Eligibility

- “Wide” economic moat rating
- Fair value estimate assigned by Morningstar analyst
- Momentum screen (if applicable: Stocks must not rank in the bottom 20% of the eligible group)
- Liquidity screen: New constituents must have a minimum ADTV of \$5 million

Portfolio Construction

- A fixed count of eligible stocks with the lowest current market price to fair value ratio are targeted for inclusion
- Sector/country capping
- Constituents are equal weighted
- Staggered rebalance

Morningstar Global
Wide Moat Focus
Indexes

Starting Universe

At each reconstitution, constituents of the Morningstar Global Wide Moat Focus Index are derived from the corresponding parent index (benchmark) from the Morningstar Global Markets Indexes. For more details on benchmark construction, refer to the [Construction Rules for Morningstar Global Markets Indexes](#).

Eligibility

To be eligible for inclusion in each index, all securities must meet the following criteria in sequence:

- Analyst Data
 - The company must be assigned an economic moat rating of wide by Morningstar's Equity Research team.
 - 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.
- The company must have 12 months of price history.
- If a company has more than one eligible share class:
 - Select the one that is a current index constituent.
 - Otherwise, select the most liquid share class determined by Morningstar Indexes.

- Momentum Screen¹
 - Eligible securities are ranked by their total returns over the past 12 months². The securities in the bottom 20% are screened out.
 - This screen is not applicable for Morningstar Global Markets ex-US Wide Moat Focus Index.
- Liquidity Filter
 - Non-index constituents that have a three-month average daily trading value, or ADTV, of less than \$5 million are screened out.

Portfolio Construction

- Buffer Rules
 - Index constituents of the sub portfolio ranked within the top 2 times of N in the eligible universe based on current market price/fair value ratio are given preference in subsequent steps.
 - This buffer is 1.5 times N for Morningstar Global Markets ex-US Wide Moat Focus Index.
- Country and Sector Capping
 - The maximum weight of an individual country or sector in the index is capped at 10% plus its corresponding weight in the benchmark, or 40%, whichever is higher. These constraints are enforced through stock selection.
$$\text{Maximum Sector Weight} = \text{Max} (40\%, \text{benchmark weight} + 10\%)$$

$$\text{Maximum Country Weight} = \text{Max} (40\%, \text{benchmark weight} + 10\%)$$
- Price/Fair Value Selection
 - The aggregate portfolio is formed from two sub-portfolios. 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 sub-portfolio until the target number of constituents is reached.

Number of Stocks

Each reconstituted sub-portfolio targets N constituents based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. These target counts are shown in Appendix 4. 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 N companies. In addition, securities that are deleted from the corresponding benchmark index after June and December reconstitutions are simultaneously deleted from the Morningstar Global Wide Moat Focus Index. The aggregate portfolio can contain between N and (2*N) constituents.

Index Weighting

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

¹ The momentum screen is not applicable for Morningstar Global Markets ex-US Wide Moat Focus Index.

² Momentum is measured through the most recent month-end prior to the reconstitution.

Index Maintenance and Calculation

Scheduled Maintenance

The index is reconstituted, where the membership is reset, 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 third Friday. 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. In addition, the sub-portfolio weights are reset to 50% each in June and December. Refer to Appendix 2 for the staggered reconstitution implementation process.

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

Refer to Appendix 1 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 alternatively-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 Index Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Index Oversight Committee.

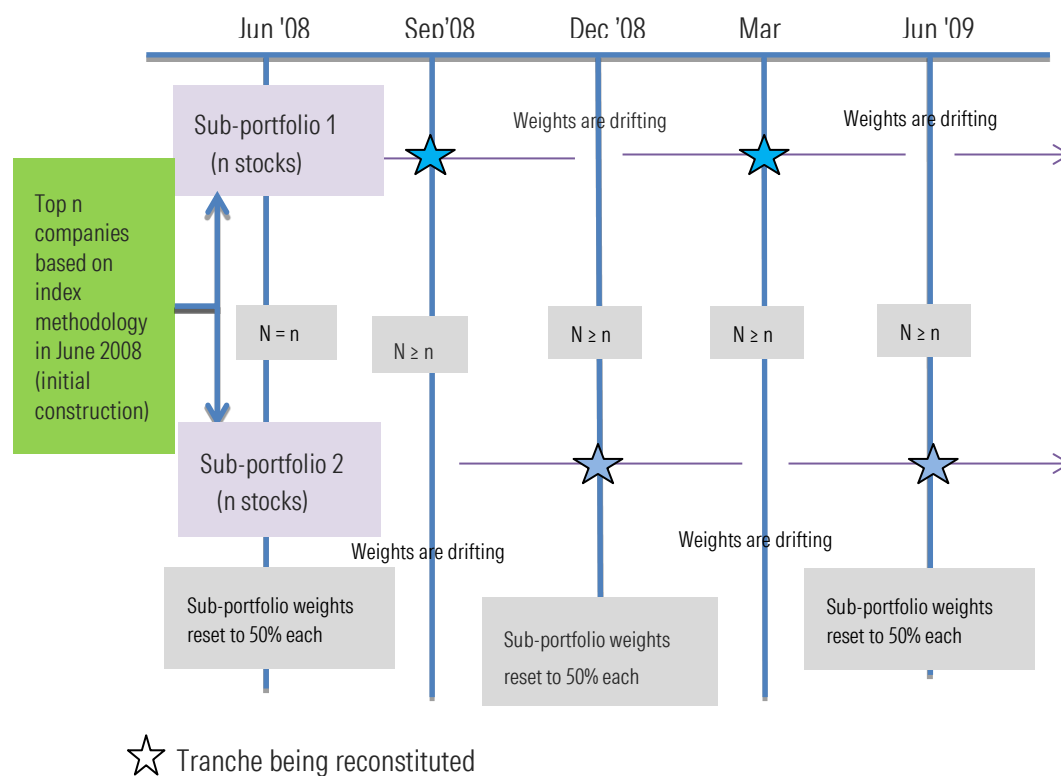
Appendixes

Appendix 1: 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 reset to their target based on the approach outlined in the weighting section.

Appendix 2: Staggered Reconstitution Process

Exhibit 1 Staggered Reconstitution Schematic



The portfolio construction process is described below:

1. At initial construction (e.g. June 2008), both sub-portfolios are reconstituted at the same time and therefore have an identical portfolio composition. The sub-portfolios are set to equal weights at 50% each.
2. In September, only the first sub-portfolio is reconstituted, while the second is not (drifted leg). As a result, the composition of the sub-portfolios may not remain identical.
3. In December, the second sub-portfolio is reconstituted and the first forms the drifted leg. In addition, the sub-portfolio weights are reset to 50% each and distributed among the securities within them in proportion to their weights.

4. In March, the first sub-portfolio is reconstituted again.
5. In June, the second sub-portfolio is reconstituted. In addition, the sub-portfolio weights are reset to 50%.
6. The process is repeated (go to Step 2).

Appendix 3: Individual Indexes

Index Name	Performance Start Date	Calculation Inception Date	Number of Constituents (N)*
Morningstar Developed Markets Wide Moat Focus	December 21, 2007	April 28, 2017	50
Morningstar Developed Markets ex-Australia Wide Moat Focus	December 21, 2007	October 12, 2017	50
Morningstar Global Wide Moat Focus	December 21, 2007	April 23, 2018	50
Morningstar Global Markets ex-India Wide Moat Focus	December 21, 2007	August 10, 2017	50
Morningstar Global Markets ex-US Wide Moat Focus Index [#]	June 17, 2016	August 28, 2024	40

* The number of constituents is targeted for each sub-portfolio

[#] Note: The buffers mentioned in the portfolio construction section are not applied at the June 2024 reconstitution to simulate an initial construction for the index.

Appendix 4: Modifications to the Rulebook

Section	Description of Change	Update Date
Index Construction	Liquidity Filter to be applied before Buffer Rules	June 2017
Entire Rulebook	Moved to new rulebook template	June 2023
Eligibility	Momentum screen clarification	November 2023
Index Construction & Appendix 3	Morningstar Global Markets ex-US Wide Moat Focus Index added	August 2024
Portfolio Construction	Buffer rule clarification	September 2024
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 May 2025 the second Friday of the reconstitution month to the first Friday of the reconstitution month	

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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