

Construction Rules for the Morningstar Transatlantic Multi-Sector Select 40 Index



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Overview

The Morningstar® Transatlantic Multi-Sector Select 40 Index is designed to provide exposure to large- and mid-cap companies in the US and Eurozone regions. Companies are grouped according to sector, industry, and other criteria, and assigned weights as per their groups.

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

Index Inception and Performance Start Date

The index inception date is July 24, 2024, and the performance start date, when the first backtested index value was calculated, is Dec. 21, 2012.

Index Construction

Methodology Summary

Starting Universe

- Morningstar Developed Markets US and Eurozone Index

Eligibility

- Select large- and mid-cap securities
- Select only one share class in case companies of having multiple-share-class securities.

Portfolio Construction

- Select Magnificent Seven securities.
- From the remaining sectors and industries, select two securities each from the US and the eurozone.
- Select remaining securities across groups until 40 securities are selected.
- Top 40 securities are selected and weighted according to their group allocation.

**Morningstar
Transatlantic Multi-
Sector Select 40
Index**

Starting Universe

At each reconstitution, constituents of the Morningstar Transatlantic Multi-Sector Select 40 Index are derived from the Morningstar Developed Markets Eurozone and US Index (benchmark). For more details on benchmark construction, please refer to the construction rules for the [Morningstar Developed Markets Eurozone and US Index](#).

Eligibility

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

- ▶ Select only the large- and mid-cap securities from the benchmark.
- ▶ 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.

Portfolio Construction

All companies belonging to the following groups are eligible to be a part of the index:

Sr. No.	Group	Custom Group/ Morningstar Sector/Morningstar Industry	Sector/Industry Code
1	Magnificent Seven	Custom Group	Not applicable
2	Energy	Sector	309
3	Financial Services	Sector	103

4	Industrials	Sector	310
5	Semiconductors	Industry	Semiconductor Equipment & Materials (31130010) Semiconductors (31130020)
6	Telecom Services	Industry	30810010
7	Consumer Cyclical	Sector	102
8	Healthcare	Sector	206
9	Utilities	Sector	207

Note: Semiconductors group includes the following industries in the backtest period: Semiconductors, Semiconductor Memory, Semiconductor Equipment & Materials. The sector and industry codes in the table above are as of the index launch date. If there are any changes to Morningstar Global Equity Classification Structure after the index launch date, the codes may change.

- Companies mentioned in the table below are considered to be a part of the Magnificent Seven group exclusively:

Sr. No.	Company Name	Morningstar CompanyId
1	Meta Platforms	0C000098V0
2	Alphabet	0C000007XQ
3	Tesla	0C00004EP4
4	NVIDIA	0C00000BXN
5	Microsoft	0C000008EC
6	Apple	0C00000ADA
7	Amazon.com	0C000009EB

- Selection Steps:

- All companies belonging to Magnificent Seven group are selected as long as they're a part of the benchmark index.
- Select two securities within the US and eurozone regions each from all groups excluding Magnificent Seven by highest Float Market Capitalization
 - In case two securities from the US and eurozone regions are not selected, then the entire group is dropped from selection and the group's weight is reallocated to other groups equally.
- Rank the remaining securities in descending order of their float market capitalization and select top securities until 40 securities are selected.

Number of Stocks

The index targets 40 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 because 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.

Index Weighting

Selected securities are then assigned weights to satisfy group and region allocations mentioned in the below table. Group and region weights are allocated to constituent securities in proportion to their float-adjusted market capitalization.

Group	US	Eurozone	Total
Magnificent Seven	20.000%	0.000%	20%
Energy	5.625%	9.375%	15%
Financial Services	5.625%	9.375%	15%
Industrials	5.625%	9.375%	15%
Semiconductors	3.750%	6.250%	10%
Telecom Services	3.750%	6.250%	10%
Consumer Cyclical	1.875%	3.125%	5%
Healthcare	1.875%	3.125%	5%
Utilities	1.875%	3.125%	5%
Total	50%	50%	100%

For more details, please refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, semiannually 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, and the weights are rebalanced as per the weighting scheme defined in the Index Weighting section using the updated float market capitalization. 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.

Parent index eligibility is checked where any constituent excluded from the parent index during its rebalance in March and September is also excluded from the Morningstar Transatlantic Multi-Sector Select 40 Index at the same date.

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](#).

Index Calculation and Price Data

Details about index calculations and price data can be found in their respective rulebooks: [Morningstar Indexes Calculation Methodology](#) and [Morningstar Equity Indexes Price Methodology](#).

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 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 Decommissioning Policy](#).

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 be corrected upon detection. In addition, an incorrect divisor of an index, if discovered 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 methodology as described within this document, 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 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

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 Transatlantic Multi-Sector Select 40 Decrement Indexes

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar Transatlantic Multi-Sector Select 40 Decrement 50 Point GR	Morningstar Transatlantic Multi-Sector Select 40 GR	870	Jul. 17, 2024	Dec. 21, 2012	Jul. 24, 2024
Morningstar Transatlantic Multi-Sector Select 40 Decrement 5% NR	Morningstar Transatlantic Multi-Sector Select 40 NR	1000	Dec. 21, 2012	Dec. 21, 2012	Jul. 24, 2024

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

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

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_t = The value of the Fixed Percentage Decrement Index for calculation day t
 IV_{t-1} = The value of the Fixed Percentage 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
 c = The Decrement value expressed in Fixed Percentage
 $DayCount$ = Set to 365

Appendix 4: Modifications to the Rulebook

Section	Description of Change	Update Date
Data Correction and Precision	Computational and Reporting Precision Section removed	June 2025

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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