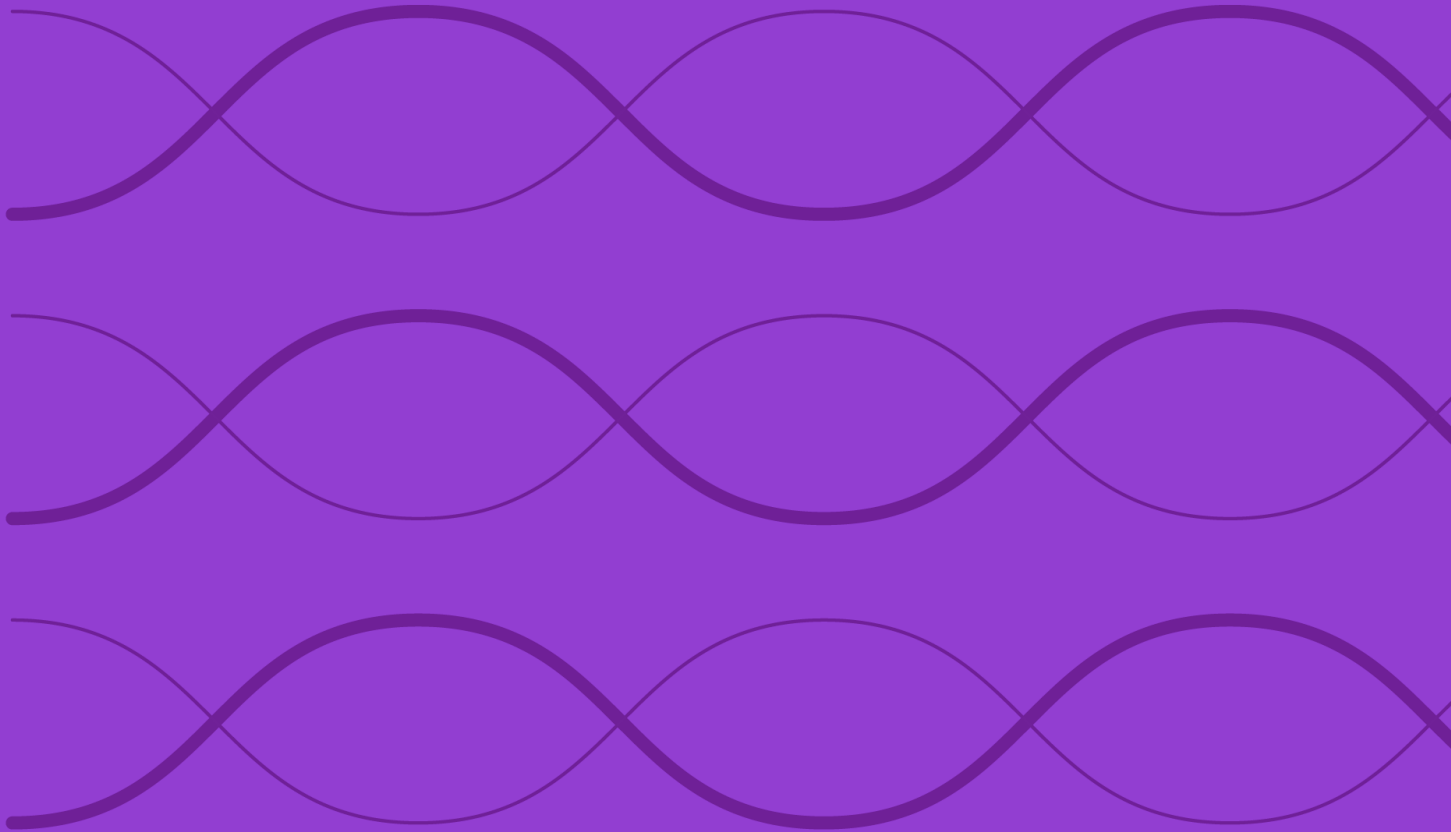


Construction Rules for the Morningstar Transatlantic Select 50 Index



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Overview

The Morningstar® Transatlantic Select 50 Index is designed to provide equal exposure to a fixed count of US and Eurozone equities. The index is built and maintained according to a transparent set of rules, and only liquid stocks that are readily available to institutional investors are included, ensuring accurate and objective representation of the investment opportunity set for active managers and mitigating transaction costs for passive investors.

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

Index Inception and Performance Start Date

The inception dates of the individual indexes are listed in appendix 3.

Index Construction

Methodology Summary

Starting Universe

- Select securities from the corresponding Morningstar Parent Index for each regional basket

Eligibility

- Securities are ranked by trading volume and turnover within their respective region. Those that ran below the top 75% are ineligible
- Securities with 10 or more nontrading days in the three months preceding reconstitution or with less than 10% of their shares publicly floated are excluded

Portfolio Construction

- Securities are ranked by market cap in descending order size within their respective region
- The top 25 securities from each region are selected
- Regions are equal weighted
- Constituents are weighted by float adjusted market cap
- Semi-annual reconstitution, quarterly rebalance
- 15% cap is applied on individual security weights

Morningstar
Transatlantic Select
50 Index

Assigning Stocks to the Index

Starting Universe

At each reconstitution, securities for the Morningstar Transatlantic Select 50 Index are derived from the Corresponding Morningstar Parent Index for each regional basket. For more details on benchmark construction, refer to the Construction rules for the [Morningstar Eurozone](#) and [Morningstar US Market](#) indexes.

Security Selection

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

- Trading frequency
- Dollar trading volume and turnover
- Free-float market-capitalization requirements

Number of Stocks

The index contains a fixed number of stocks 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 indexes can have more or fewer than the targeted number. During reconstitution, if the number of securities is less than the target, all eligible securities would be selected, and the weight of the constituents will be determined based on the index weighting scheme. The schedule for reconstitution and corporate actions is available in the "Index Maintenance and Calculation" section. The target count for the index is 50.

Index Weighting

The index is float market capitalization weighted. A 15% cap is applied to individual security weights. In the event of a breach of this cap, securities above the cap are downweighted to bring the portfolio into compliance. The excess weight from these capped stocks is redistributed across the portfolio in a manner designed to preserve the relative exposure of the pre-capped weights for as many securities as possible. This may result in some securities that initially breached the cap receiving a lower weight than the cap. 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 Tuesday immediately following. 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 immediate following 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.

Corporate Actions

The treatment of corporate actions will be as per the float market capitalization weighted indexes.

For more details, please refer to the "Treatment for float market capitalization indexes" section in 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 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: Modifications to the Rulebook

Section	Description of Change	Update Date
Rulebook created	Rulebook created	February 2023
Corporate Action	Updated link to Morningstar Standard Methodology	July 2024
Data Correction & Precision	Computational and Reporting Precision section removed	September 2024

Appendix 2: Glossary

Terms	Description
Reconstitution	Each reconstitution involves the following: <ul style="list-style-type: none"> • updating the global market's investable equity universe. • reviewing the economic segment- and country-level size segment breakpoints • assigning companies to capitalization bands considering the buffer zones • changes in index shares (free float, total shares outstanding, index-specific adjustment factor) of each constituent.
Rebalance	Each rebalancing involves the following: <ul style="list-style-type: none"> • changes in index shares (free float, total shares outstanding, index-specific adjustment factor) of each constituent • addition of U.S. spin-offs/IPOs to the global markets index
World Bank Country Classification	For operational and analytical purposes, the World Bank's main criterion for classifying economies is gross national income per capita. The bank's analytical income categories (low, middle, and high) are based on the bank's operational lending categories (civil works preferences, International Development Association eligibility, and so on). These operational guidelines were established decades ago, based on the view that since poorer countries deserve better conditions from the bank, comparative estimates of economic capacity needed to be established. GNI, a broad measure, was considered to be the best single indicator of economic capacity and progress; at the same time, it was recognized that GNI does not, by itself, constitute or measure welfare or success in development. GNI per capita is therefore the bank's main criterion of classifying countries. Source: World Bank
Country Market Capitalization and County Market Capitalization/GDP Ratio	The size of a country's equity markets should be material, or above \$5 billion. The market should exhibit financial depth; that is, the ratio of the size of the country's equity markets to its gross domestic product should be high. Countries that fall in the bottom 20% are removed from index eligibility.
Additional Country Inclusion Criteria	The following criteria are considered when determining country eligibility: <ul style="list-style-type: none"> • The country's allowance of foreign investors to easily enter and exit the market, as well as to repatriate capital and dividends.

-
- Timely and accurate availability of real-time and historical market data.
 - The level of interest attracted by the market from international investors.
-

Appendix 3: Inception and Performance Start Dates

Index Name	Parent Index	Inception Date	Performance Inception Date	Index Type
Morningstar Transatlantic Select 50	Morningstar Eurozone Morningstar US Market	Feb. 21, 2023	Jun. 18, 2010	Price Return Gross Return Net Return

Appendix 4: Decrement Indexes

Index Name	Underlying Index	Base Value	Base Date	Inception Date	Performance Inception Date
Morningstar Transatlantic Select 50 Decrement 5% NR	Morningstar Transatlantic Select 50	1000	Sep. 01, 2021	Feb. 21, 2023	Jun. 18, 2010
Morningstar Transatlantic Select 50 Decrement 50 Point	Morningstar Transatlantic Select 50	1000	Sep. 01, 2021	Feb. 21, 2023	Jun. 18, 2010

Appendix 5: Decrement Levels

The index levels are adjusted by deducting a predetermined value of index points from the gross return (GR) or fixed percentage point from the net return (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

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 / V_t = The value of the Fixed Point Decrement Index for calculation day t

IV_{t-1} / V_{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

$\text{Act}(t-1, t)$ = 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

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

Where:

IV_t / IV_t = The value of the Fixed Percentage Decrement Index for calculation day t

IV_{t-1} / 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

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 Indexes 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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