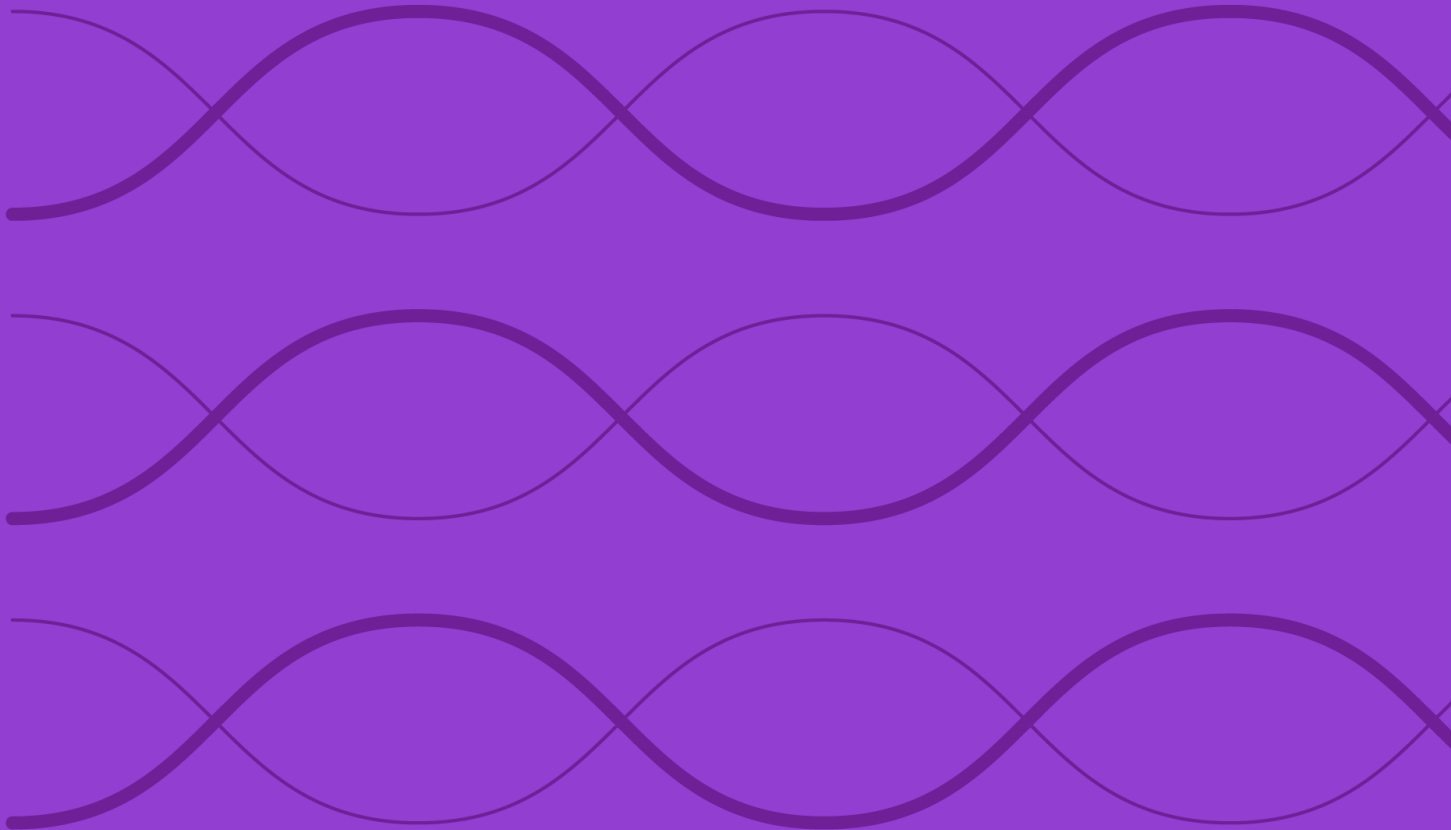


# Construction Rules for the Morningstar Eurozone ex-Energy Select 20 Index



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## Overview

The Morningstar Eurozone ex-Energy Select 20 Index is designed to target regional exposure to the Eurozone markets excluding the Energy sector. There is a 10% cap on individual securities.

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

## Index Inception and Performance Start Date

The index inception date is April 22, 2024, and the performance start date, when the first back-tested index value was calculated, is June, 20, 2008.

## Index Construction

### Methodology Summary

#### Starting Universe

- Morningstar Developed Markets Europe Large-Mid

#### Eligibility

- Select Eurozone markets
- Exclude Energy sector

#### Portfolio Construction

- Select top 20 stocks by market capitalization
- Apply a 50% cap on the Banks industry group
- Apply a 10% cap on individual stocks
- Free-float market capitalization weighting

**Morningstar**  
Eurozone ex-Energy  
Select 20 Index

### Starting Universe

At each reconstitution, constituents of the Morningstar Eurozone ex-Energy Select 20 Index are derived from the [Morningstar Developed Markets Europe Large-Mid Cap Index](#) (benchmark). For more details on benchmark construction, refer to the construction rules for the [Morningstar Global Markets Indexes](#).

### Eligibility

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

- Be listed on the Eurozone markets
- Must not be from the following sector as per GECS
  - Energy

### Portfolio Construction

- Select the largest 20 stocks by market capitalization
- Apply a 50% cap on the Banks industry group as per GECS
- Apply a 10% cap on individual stocks
- Apply a free-float market capitalization weighting

### Number of Stocks

The indexes target a fixed number of 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 as a result 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*

The index is float-adjusted market capitalization-weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

## Index Maintenance and Calculation

### Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, semi-annually on the third Friday of June and December. Adjustments are implemented after Friday's market close and reflected the following Monday. 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. Adjustments are implemented after Friday's market close and reflected the following Monday. The market data used for rebalancing is as of the last trading day of February, May, August, and November.

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 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 Decommissioning 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 Eurozone ex-Energy Select 20 Index Decrement Indexes

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar Eurozone ex-Energy Select 20 Index Decrement 50 Point GR	Morningstar Eurozone ex-Energy Select 20 Index GR	900	16 <sup>th</sup> April 2024	20 <sup>th</sup> June 2008	22 <sup>nd</sup> April 2024
Morningstar Eurozone ex-Energy Select 20 Index Decrement 5% NR	Morningstar Eurozone ex-Energy Select 20 Index NR	1000	20 <sup>th</sup> June 2008	20 <sup>th</sup> June 2008	22 <sup>nd</sup> April 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

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

<i>D</i>	=	<i>The Decrement value expressed in Index points</i>
<i>DayCount</i>	=	<i>Set to 365</i>

**Formula for Fixed Percentage Decrement****Geometric Decrement Calculation**

<b><i>IV<sub>t</sub></i></b>	<b>=</b>	<b><i><math>IV_{t-1} \times ((U_t \div U_{t-1}) - (c \times (Act(t-1,t) \div DayCount)))</math></i></b>
<i>IV<sub>t</sub></i>	=	<i>The value of the Fixed Percentage Decrement Index for calculation day t</i>
<i>IV<sub>t-1</sub></i>	=	<i>The value of the Fixed Percentage Decrement Index for day t-1</i>
<i>U<sub>t</sub></i>	=	<i>The value of the base Index for calculation day t</i>
<i>U<sub>t-1</sub></i>	=	<i>The value of the base Index for calculation day t-1</i>
<i>Act(t-1,t)</i>	=	<i>Number of calendar days between calculation day t-1 and calculation day t</i>
<i>c</i>	=	<i>The Decrement value expressed in Fixed Percentage</i>
<i>DayCount</i>	=	<i>Set to 365</i>

**Appendix 4: Modifications to the Rulebook**

<b>Section</b>	<b>Description of Change</b>	<b>Update Date</b>
Corporate Action	Updated link to Morningstar Standard Methodology	July 2024
Data Correction & Precision	Computational and Reporting Precision section removed	September 2024

## 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.

[www.indexes.morningstar.com](http://www.indexes.morningstar.com)

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