

Morningstar Global Moat Composite Indexes

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The Morningstar Global Moat Composite Indexes are designed to deliver exposure to companies with a targeted Morningstar Economic Moat Rating. Moat ratings are determined through independent research conducted by the Morningstar Equity Research team. These ratings reflect whether a company enjoys a durable competitive advantage and how long that advantage is expected to last.

What is an economic moat?

An economic moat is a durable competitive advantage that allows a firm to keep competitors at bay and generate economic profits over an extended period. To help investors identify companies that possess an economic moat, Morningstar's equity research team assigns one of three Morningstar Economic Moat Ratings: "wide," "narrow," or "none." There are two major criteria that must be satisfied for a company to earn a moat rating of "wide" or "narrow": 1) it must be likely to generate returns on invested capital above its weighted average cost of capital for at least the next twenty years for wide or the next ten years for narrow; and 2) it must enjoy one of the following economic moat sources, each of which is a driver of structural competitive advantage:

- **Network effect** Present when the value of a network increases for new and existing users as the network grows.
- **Cost advantage** Allows a firm to sell at the same price as competition but still enjoy economic profits thanks to lower unit costs of production.

- **Efficient scale** When a company serves a market limited in size, new competitors may not have an incentive to enter, particularly when the cost of market entry is high. New entrants would cause returns for all players to fall well below the cost of capital.
- **Intangible assets** Brands, patents, and regulatory licenses that block competition and/or convey meaningful pricing power.
- **Switching costs** Whether in time or money, the expenses that a customer would incur to change from one producer/provider to another.

Portfolio construction

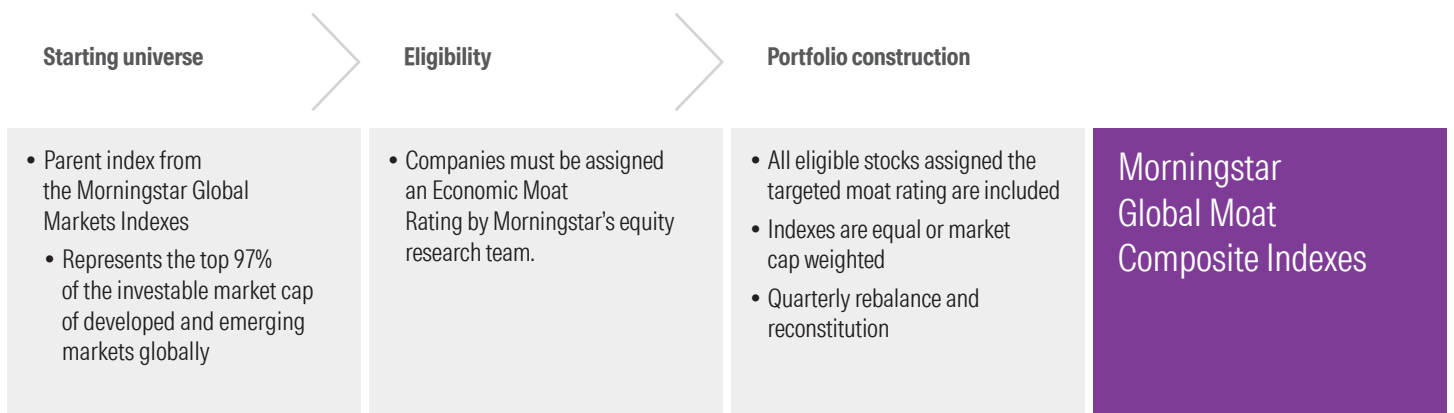
The Morningstar Global Moat Composite Indexes derive their constituents from the Morningstar Global Markets Indexes. To be eligible for inclusion, constituents from the parent index must be assigned the Economic Moat Rating targeted by the index. Indexes that target ratings of "wide", "narrow", and "none" are available.

The Morningstar Global Moat Composite Indexes are available in market cap weighted and equal weighted variants.

Rebalancing and reconstitution

The indexes are reconstituted and rebalanced quarterly.

Construction process



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.

Please visit indexes.morningstar.com for more information.