

Construction Rules for the Morningstar® US Diversified Transition Select Index



Overview	3
Index Construction	4
Starting Universe	4
Eligibility	4
Portfolio Construction	4
Index Maintenance and Calculation	5
Reconstitution and Rebalancing	5
Corporate Actions	5
Index Calculation and Price Data	5
Methodology Review and Index Decommissioning Policy	6
Data Correction and Precision	7
Intraday Index Data Corrections	7
Index-Related Data and Divisor Corrections	7
Exceptions	7
Appendixes	8
Appendix 1: Modifications to the Rulebook	8
Appendix 2: Entelligent® Diversified Transition Score (DTS)	8
About Morningstar Indexes	9

Overview

The Morningstar® US Diversified Transition Select Index is designed to provide diversified, broad market exposure to US companies that lead their sector peers based on the Entelligent® Diversified Transition Score. The scores are designed to identify and assess security-level risk and return characteristics from economic transition scenarios, focusing on the impact of possible changes to global energy supply, demand and prices, across several possible scenarios.

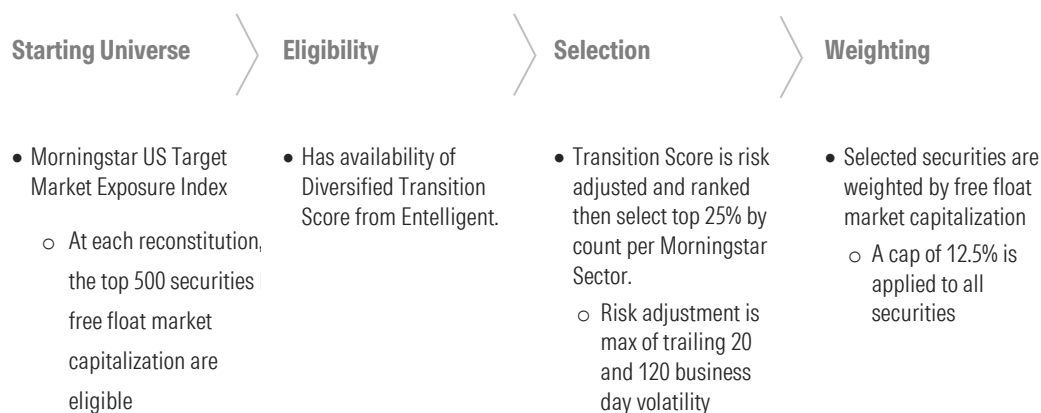
For more information on the Entelligent® Diversified Transition Score, refer to Appendix 2.

Index Inception and Performance Start Date

The index inception date is Sept. 11, 2025 and the performance start date, when the first back-tested index value was calculated, is April 09, 2010.

Index Construction

Methodology Summary



Morningstar®
US Diversified
Transition
Select Index

Starting Universe

At each reconstitution, constituents of the Morningstar® US Diversified Transition Select Index are derived from the Morningstar US Target Market Exposure Index. For more details on benchmark construction, refer to the construction rules for the [Morningstar US Target Market Exposure Index](#)

Eligibility

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

- At each reconstitution, the top 500 securities by free float market capitalization are eligible for inclusion
- Securities must have an active Diversified Transition Score (DTS) from Entelligent®
- Securities must have a risk adjustment factor (RAF) available

Portfolio Construction

- Risk adjustment factor (RAF) = max(trailing 20 business day annualized standard deviation, trailing 120 business day annualized standard deviation). These trailing days use a global calendar
- The Diversified Transition Score (DTS) is divided by RAF and then ranked from best to worst, lower scores being better
- Select 25% by count (rounded to nearest integer) within each sector based on the scores in the previous step
- Free float market capitalization weighted with security max of 12.5%

Number of Stocks

The number of stocks in the index is variable, subject to the size of the starting universe and the application of eligibility criteria at the time of reconstitution. Selection uses data as of the end of the month in March, June, September, and December.

Index Weighting

The index is float-adjusted market capitalization-weighted. No single constituent can have a weight greater than 12.5%. 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, and rebalanced quarterly on the 8th business day of January, April, July, and October. Adjustments are implemented after the market close. The DTS and RAF are computed using data as of the end of month in March, June, September, and December and used for selection. The volatility data would be calculated based on a global calendar. Proformas will be published on the close of 6th business day of the month.

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 Decommissioning 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 decommissioning of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures in the event an index is decommissioned. 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 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: Modifications to the Rulebook

Section	Description of Change	Update Date
Original version	Original Morningstar US Diversified Transition Select Index	September 2025

Appendix 2: Entelligent® Diversified Transition Score (DTS)

Entelligent® developed the Diversified Transition Score (DTS) expressly for the Morningstar US Diversified Transition Select Index.

DTS seeks to enable high-performance risk and opportunity forecasting amid increasingly complex and hard-to-predict energy markets. DTS leverages top-down energy pricing, economic scenarios, and market data to forecast individual-security performance. DTS blends all four leading finance industry reference scenarios for a comprehensive risk perspective suited to the current global marketplace.

Through Entelligent® DTS, the Morningstar US Diversified Transition Select Index seeks to capture the dynamic assumptions of all four reference scenarios. This differs from other investment approaches, which select a single reference scenario deemed “most likely”. Entelligent® DTS aims to select companies most likely to do well across *multiple* future energy and economic scenarios and believes that portfolios selected in this manner are more likely to prove resilient to future changes in energy and economic outcomes.

For each scenario, the distance (or “spread”) between a security's expected average quarterly return over 10 years under a Current Policies (or “Business-As-Usual”) and an alternative scenario is measured. These spreads are then aggregated across multiple industry-standard scenarios. Finally, a normalization process is implemented using a (Gauss) rank transformation to produce the DTS.

The DTS is then subjected to a risk-adjustment, which penalizes companies with higher risk, as measured by their historic variation in price, i.e. stock price volatility.

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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